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BUDGET ANALYSIS

JANUARY 1992

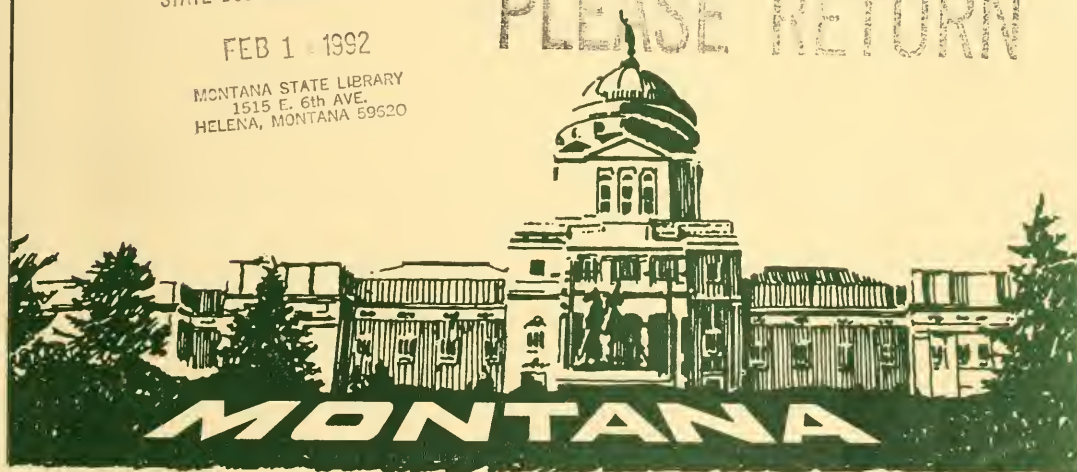
SPECIAL SESSION

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BUDGET ANALYSIS - Special Session

1993 BIENNIUM

Submitted by

The Office of the Legislative Fiscal Analyst

Helena, Montana

January 2, 1992



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January, 1992

Members of the Fifty-second Legislature
Members of the Legislative Finance Committee

In accordance with Section 5-12-302, MCA, I submit for your consideration a fiscal analysis of the Executive Budget for the 1993 biennium and information concerning state government revenues and expenditures.

The Budget Analysis is designed to be a working document containing fiscal information relevant to appropriation decisions. We look forward to assisting all legislators in obtaining information related to fiscal issues.

Sincerely,

A handwritten signature in cursive script that reads "Teresa Olcott Cohea".

Teresa Olcott Cohea
Legislative Fiscal Analyst

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OVERVIEW OF THE EXECUTIVE BUDGET

Projected \$95 Million Deficit

The Executive Budget projects a \$94.8 million general fund deficit at the end of fiscal 1993, due to a \$79.7 million revenue shortfall and \$38.8 million in additional expenditures. It proposes \$105.9 million in "budget balancers",

leaving an \$11.1 million ending fund balance. This recommended ending fund balance is 1 percent of the biennial general fund budget and 0.6 percent of the biennial general fund and school equalization account (SEA) projected disbursements.

Table 1
Projected General Fund Deficit and Budget Balancers, 1993 Biennium
(Millions)

		Projected FY93 <u>Ending Fund Balance</u>
1991 Legislature		\$23.7
Executive Budget		
Revenue shortfall	(\$79.7)	
Increased expenditures	(38.8)	
Projected deficit		(94.8)
"Budget balancers"	105.9	
Recommended ending fund balance		\$11.1

Revenue Shortfall

After adjusting for late payments, general fund and SEA revenue collections in fiscal 1991 were 3.8 percent below the level anticipated by the legislature in House Joint Resolution 24 (HJR 24). The Executive Budget projects general fund and SEA revenues will be 2.9 percent below HJR 24 levels in the 1993 biennium. Lower personal income tax collections from non-wage and salary income (commonly called estimated taxes) account for nearly 70 percent of the total shortfall. Lower-than-anticipated oil prices, interest earnings, and lottery revenue are responsible for the remaining shortfall.

Increased Expenditures

Table 2 shows the \$38.8 million of additional expenditures projected in the Executive Budget. The executive is requesting an additional \$20.8 million and 27.5 FTE for increased costs in several state agencies, as discussed below. The Executive Budget also contains \$8.5 million for additional supplementals in fiscal 1993. It projects that general fund statutory appropriations will be \$2.8 million higher than anticipated by the 1991 legislature and that the cost of the special session will be \$0.5 million. Lastly, it projects that general fund reversions will be \$6.2 million less than anticipated by the legislature, due to the recommended budget reductions.

OVERVIEW OF THE EXECUTIVE BUDGET

Table 2
Increased General Fund Expenditures in Executive Budget
1993 Biennium

	<u>Millions</u>	<u>FTE</u>
STATE AGENCIES		
Social and Rehabilitation Services	\$9.6	
Family Services	2.2	
Corrections and Human Services	2.4	27.5
State Lands	6.4	
Revenue	0.2	
Additional supplementals	8.5	
STATUTORY APPROPRIATIONS		
Personal property tax reimbursement	1.1	
Retirement benefit adjustment	2.9	
TRANS interest	(1.2)	
FEED BILL	0.5	
LOWER REVERSIONS	<u>6.2</u>	<u>-</u>
TOTAL	\$38.8	27.5

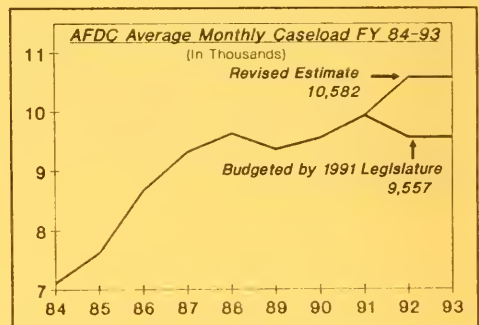
Social and Rehabilitation Services

The Executive Budget requests \$2.4 million additional general fund for increased caseloads in Aid to Families with Dependent Children (AFDC), \$0.9 million additional general fund for increased caseloads in general assistance (GA), and \$6.3 million additional general fund for higher-than-anticipated costs in the State Medical Program.

The following graphs show historical, budgeted, and revised caseloads/funding in the AFDC, GA, and State Medical programs.

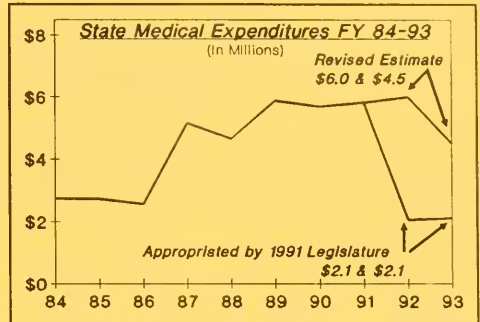
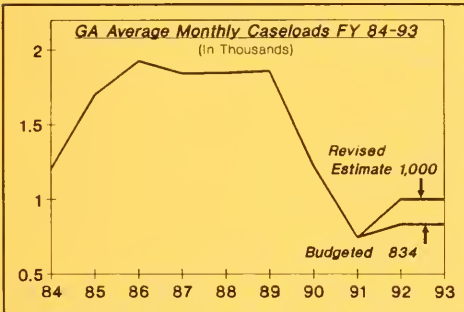
AFDC Monthly Caseloads - The 1993 biennium caseloads budgeted by the 1991 legislature were based on actual caseloads through the first six months

of fiscal 1991. At the agency's request, these estimates were then lowered based on anticipated reductions resulting from full implementation of the Job Opportunities and Basic Skills (JOBS) program. The Executive Budget's revised projections are based on actual caseloads through the first four months of fiscal 1992.



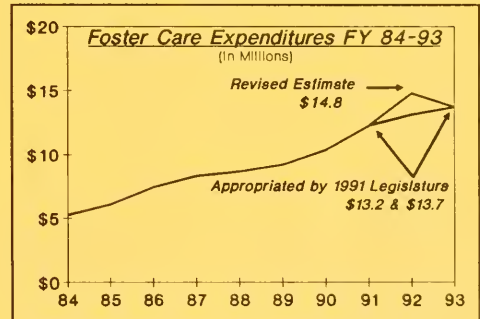
OVERVIEW OF THE EXECUTIVE BUDGET

GA Monthly Caseloads - GA monthly caseloads decreased significantly beginning in fiscal 1990, largely due to legislation enacted by the 1989 legislature. The 1993 biennium caseloads budgeted by the 1991 legislature were based on actual caseloads through the first six months of fiscal 1991. The Executive Budget's revised projections are based on actual caseloads through the first four months of fiscal 1992.



Department of Family Services

The Executive Budget's revised estimates of fiscal 1992 foster care expenditures exceed fiscal 1992 appropriations by nearly \$1.7 million (\$2.2 million general fund). The general fund amount requested in the Executive Budget exceeds the total increase because of funding shifts within the program.



State Medical - General fund expenditures for state medical benefits are currently exceeding the budgeted amount by several million dollars. The graph shows that the 1993 budgeted level dropped significantly from the actual 1991 expenditure level. The reduction in funding was made at the request of SRS, based on anticipated savings resulting from enactment of SB 269 and changes in federal regulations making more state medical recipients eligible for medicaid benefits. The current level projection for state medical benefits was \$5.5 million annually. (See Appropriations Report 1993 Biennium, page B-114.) The Executive Budget's revised projections are based on actual expenditures through the first five months of fiscal 1992. Estimates are reduced in fiscal 1993 in anticipation of full implementation of SB 269 provisions and other program modifications currently underway.

Although the graph shows a significant increase in expenditures from 1991 to 1992, the actual care days projected for 1992 are less than were funded in 1991, due to a changing service mix. According to the latest estimates, more care days will be provided in more expensive in-state and out-of-state treatment, while fewer days will be provided in less expensive family foster homes and group homes. (See page B-29 for more details on the foster care program.)

OVERVIEW OF THE EXECUTIVE BUDGET

Corrections and Human Services (DCHS)

The Executive Budget requests \$1.5 million additional general fund in fiscal 1992 for the Corrections system for the following anticipated costs:

1) \$156,076 for an additional 50 inmates at the men's prison, \$103,782 for costs associated with the prison disturbance, \$81,004 for increased legal costs, and \$84,556 for occupational therapy training costs;

2) \$395,520 additional personal service funding, since the Corrections system is not experiencing the 2 percent vacancy savings rate imposed in House Bill 2;

3) \$622,885 for increased medical costs; and

4) a \$65,000 biennial appropriation for a technical advisor at the men's prison to enhance security and overall prison policies and procedures.

It is also requesting \$0.9 million additional general fund for the biennium in the Developmental Disability system to address inadequate staffing and service levels at state institutions, as cited in recent medicaid surveys. The Executive Budget proposes to add 21.9 FTE in fiscal 1992 (increasing to 26.5 FTE in fiscal 1993) at the Montana Developmental Center and 1.0 FTE at Eastmont.

In addition to other proposed changes, the Department of Corrections and Human Services is planning to "downsize" Montana State Hospital at Warm Springs in response to the district court ruling on the Ihler lawsuit. This plan would transfer approximately 80 patients to community services and reduce staff by approximately 50 full-time positions. The fiscal impact was not available as of December 27, 1991, but the plan will require legislative approval to : 1) change the program at Warm Springs; and 2) transfer personal services funding to community services.

State Lands

The Executive Budget is requesting \$6.4 million general fund for fire suppression costs associated with forest fires in the fall of 1991. Traditionally, the legislature has not included funds for fire suppression costs in the Department of State Lands'

budget. Instead, the legislature approves supplementals for anticipated biennial costs. The following table shows the fire suppression supplementals approved in the last five biennia. The 1993 legislature will be asked to approve an additional supplemental for fire suppression costs incurred during the remainder of this biennium.

Table 4
General Fund Supplementals for Fire Suppression

<u>Biennia</u>	<u>Millions</u>
1983	\$0.8
1985	2.9
1987	0.6
1989	12.6
1991	3.0
1993 (partial)	6.4

Additional supplementals

In anticipation of fiscal 1993 fire suppression costs and possible overruns in costs associate with property tax reappraisal and medicaid, the Executive Budget reserves an additional \$8.5 million for general fund supplementals in fiscal 1993.

Lower reversions

The 1991 legislature anticipated state agencies would revert (not spend) \$16.2 million of their general fund biennial appropriations. The Executive Budget has lowered biennial general fund reversions by \$6.2 million, assuming that state agencies will have less to revert after the recommended budget reductions. The following table shows general fund reversions (excluding debt service) in previous biennia.

Table 5
General Fund Reversions

<u>Fiscal Year</u>	<u>Millions</u>
1988	\$6.9
1989	6.5
1990	13.1
1991	10.2
1992*	5.0
1993*	5.0

*Executive Budget projection

OVERVIEW OF THE EXECUTIVE BUDGET

Types of "Budget Balancers"

The Executive Budget recommends \$105.9 million in "budget balancers" for the 1993 biennium. Of this total, \$43.1

million or 40.7 percent are expenditure reductions and \$62.8 million or 59.3 percent are revenue increases. Table 6 shows the biennial total in each "budget balancer" category.

Table 6
Budget Balancers in Executive Budget
1993 Biennium

	<u>Millions</u>	<u>% of Total</u>
EXPENDITURE REDUCTIONS		
Reductions in agency budgets	\$26.3	24.8
Local government/school impact	5.7	5.4
Caseload decreases	3.5	3.3
Benefit and provider rate decreases	7.0	6.6
Other	<u>0.6</u>	<u>0.6</u>
Subtotal	\$43.1	40.7
REVENUE INCREASES		
Fee increases	\$0.2	0.2
Revenue estimate increases	10.9	10.3
Fund balance transfers	9.9	9.3
Funding switches	3.8	3.6
Quarterly estimated tax payment	34.0	32.1
Liquor store proposal	<u>4.0</u>	<u>3.8</u>
Subtotal	\$62.8	59.3
GRAND TOTAL	\$105.9	100.0

Gross v. net expenditure reductions

The Executive Budget proposes \$43.1 million in gross general fund expenditures reductions. When the anticipated \$38.8 million of anticipated expenditure increases shown in Table 2 are subtracted, the net general fund expenditure reduction proposed in the Executive Budget for the 1993 biennium is \$4.3 million. (This total does not include the general fund supplemental to the SEA).

In the following section, gross expenditure reductions are discussed to highlight the budget cuts recommended in the Executive Budget.

Reductions in agency budgets

The Executive Budget proposes a \$26.3 million reduction in agency operational budgets. This total excludes "budget balancers"--such as reductions in pass-through funds to local governments, fund balance transfers, revenue estimate increases, and funding switches--that don't reduce the funding for agencies' internal operations.

Table 8 shows the percentage reductions imposed on agency operations by the Executive Budget. The table shows the recommended reduction by fiscal year and for the biennium. As the table shows, agencies will experience significantly different percentage reductions in their budgets under the Executive Budget proposal.

OVERVIEW OF THE EXECUTIVE BUDGET

Table 8
General Fund Operational Budget Reductions by Percent

Agency*	% Cut FY 1992	% Cut FY 1993	% Cut Biennium
Department of Labor & Industry	10.87%	10.78%	10.82%
Office of Public Instruction	10.18%	10.25%	10.22%
Department of Agriculture	8.00%	8.00%	8.00%
Department of Transportation	8.00%	8.00%	8.00%
Department of Fish, Wildlife & Parks	8.00%	8.00%	8.00%
Library Commission	7.74%	8.00%	7.87%
Legislative Council	6.43%	8.00%	7.22%
Legislative Fiscal Analyst	5.71%	8.00%	6.87%
Legislative Auditor	4.51%	7.46%	6.00%
Higher Education	1.48%**	10.42%	5.97%**
Commissioner of Political Practices	9.80%	0.00%	5.77%
Crime Control Division	8.00%	2.49%	5.17%
Department of Health & Environmental Sciences	4.22%	3.58%	3.89%
Department of Family Services	3.73%	3.91%	3.82%
Montana Arts Council	2.43%	5.08%	3.68%
Department of Natural Resources & Conservation	4.00%	3.31%	3.65%
State Auditor's Office	2.87%	4.17%	3.50%
Department of State Lands	3.65%	3.22%	3.43%
Secretary of State	6.58%	0.00%	3.37%
Judiciary	3.23%	3.13%	3.18%
Office of the Governor	2.35%	3.91%	3.11%
Department of Administration	2.95%	2.89%	2.92%
Historical Society	3.57%	2.12%	2.85%
Department of Social & Rehabilitation Services	2.75%	2.17%	2.46%
Environmental Quality Council	2.32%	2.45%	2.39%
Department of Justice	3.55%	0.70%	2.11%
Department of Military Affairs	2.98%	1.08%	2.06%
Department of Revenue	1.31%	1.83%	1.57%
School For Deaf & Blind	1.34%	1.66%	1.50%
Board of Public Education	2.67%	0.00%	1.35%
Department of Corrections & Human Services	1.30%	1.17%	1.23%
Public Service Commission	0.00%	0.00%	0.00%
Department of Livestock	0.00%	0.00%	0.00%
Department of Commerce	0.00%	0.00%	0.00%
Highway Traffic Safety	0.00%	0.00%	0.00%

*Includes HB 2 and HB 509 appropriations

**Will increase to 4.5 percent in fiscal 1992 and 8 percent for the biennium if the executive liquor store proposal is not passed.

As Table 8 shows, the Executive Budget imposes no general fund reduction in the fund agency operations of four agencies. Since any reduction in the Public Service Commission's budget results in a corresponding reduction in utility tax deposited in the general fund, the Executive Budget does not recommend any reduction. The proposed reductions in Highway Traffic Safety and the

Department of Commerce are all in "pass-through" funds to local governments, so agency operations will not be affected. In the Department of Livestock, \$85,000 of other funds were substituted for general fund, leaving the agency's total spending authority intact.

An additional 19 agencies will experience biennial reductions of 4

OVERVIEW OF THE EXECUTIVE BUDGET

percent or less. In most of these agencies, a portion of the agency's 8 percent "quota" was filled by fund balance transfers, funding switches, or reduced pass-through funds. This lessened the impact of the Executive Budget reduction on the agency's operating budget. For example, the Department of Military Affairs' biennial reduction in agency operations is only \$90,325 because it plans to transfer \$183,431 "excess" federal funds to the general fund and use another \$40,000 of federal funds to offset general fund. Similarly, the Governor's Office will realize \$109,000 of its 8 percent "quota" by charging agencies for its services, changing accounting practices, and transferring a fund balance.

The twelve agencies that will experience biennial reductions of 5 percent or more in their budgets are shown in Table 9.

Table 9
Executive Budget General Reductions
of 5 Percent or More

<u>Agency</u>	<u>Biennial</u>
Labor and Industry	10.82%
Public Instruction	10.22%
Agriculture	8.00%
Transportation	8.00%
Fish, Wildlife and Parks	8.00%
Library Commission	7.87%
Legislative Council	7.22%
Leg. Fiscal Analyst	6.87%
Legislative Auditor	6.00%
Higher Education*	5.97%
Com. Political Practices	5.77%
Crime Control Division	5.17%

*Will increase to 8 percent if liquor store proposal is not enacted

In five of these agencies (Labor and Industry, FWP, Transportation, Agriculture, and Crime Control), general fund comprises only a small portion of the total agency funding, so the Executive Budget reduction would have little impact on total agency operations.

In the legislative agencies, the Executive Budget adopts the reversion targets set by legislative committees for fiscal 1992 and imposes varying

percentages on the agencies for fiscal 1993 (8 percent for the Legislative Council and Legislative Fiscal Analyst; 7.5 percent for the Legislative Auditor due to fund balance transfers; and 2.5 percent for the Environmental Quality Council).

The Executive Budget proposes a 10.2 percent reduction in the general fund operating budget of the Office of Public Instruction. In addition, it proposes a 0.9 percent reduction in the general fund distributions to school districts.

The Executive Budget proposes a 6.0 percent biennial general fund reduction for the university system. If the executive liquor store proposal is not enacted, the Executive budget proposes an additional \$4.7 million reduction, for an 8 percent biennial reduction. The Executive Budget proposes that \$14.1 million of the reduction for the university system occur in fiscal 1993, resulting in a 10.4 percent reduction in general fund support in that year.

In the Executive Budget, \$22.5 million of the \$26.3 million total reduction in agency budgets is in personal services. This includes the \$16.3 million of "nonspecific savings" the Executive Budget proposes for the university system. In many cases, the Executive Budget imposes budget reductions in personal services to allow agencies flexibility. House Bill 2 allows funds to be transferred from operations and equipment to personal services if anticipated vacancy savings do not occur.

Included in the \$22.5 million of personal service reductions is the elimination of 52.3 FTE--51.3 FTE in DCHS's Galen/Warm Springs reorganization and 1.0 FTE in the Governor's Office. The remaining personal service reduction is to be achieved by vacancy savings. For example, the Executive Budget recommends an additional 4 percent vacancy savings (\$0.7 million) be imposed on all field staff in the Department of Family Services (DFS). In House Bill 2, the legislature imposed a 2 percent vacancy savings for all field staff except social workers, who were exempted. The Executive Budget also recommends a 6 percent vacancy savings

OVERVIEW OF THE EXECUTIVE BUDGET

rate for DFS's Management Support staff, 3 percent at Mountain View, and 2 percent at Pine Hills in addition to the 2 percent vacancy savings rate imposed in House Bill 2.

The remaining reductions in agency budgets contained in the Executive Budget would be taken in operating expenses (\$3.2 million), equipment (\$0.4 million), and capital outlay (\$0.2 million).

Impact on local government and schools

The Executive Budget proposes \$5.7 million of "Budget Balancers" that would

reduce pass-through funds to or increase costs for local communities and schools. Table 10 provides a list of these impacts by agency. In the agency narratives (Sections A through E), there is a description of each item.

The Executive Budget (page 6) shows the \$41.5 million general fund supplemental to the school equalization account as a positive impact to school districts. Since this supplemental is necessary to fund statutorily appropriated foundation program costs at the level approved by the 1991 legislature, it is not shown as a positive impact in Table 10.

OVERVIEW OF THE EXECUTIVE BUDGET

Table 10
Impact of Executive Budget on Local Governments and Schools

<u>SCHOOLS DISTRICTS/COMMUNITY COLLEGES</u>	<u>1993 BIENNIUM</u>
OPI--Gifted and talented	\$48,000
--Secondary vo-ed	270,000
--Special education contingency	214,520
--HB 999 special education	214,520
--Impact aid	800
Arts Council--Artists in schools	2,000
University system/Community college support	<u>606,928</u>
Total Impact to Schools and Community Colleges	\$1,356,768
<u>LOCAL GOVERNMENTS/COMMUNITIES</u>	
Arts Council--Local grants	\$2,380
DNRC--Water and resource development grants	133,050
Governor's Office--Flathead Basin Commission	24,000
State Lands--Equalization payments	42,400
SRS--TEAMS county computers	250,000
--Group home start-up	400,000
DHES--Family planning	8,000
Commerce--Coal Board grants	2,000,000
--Lewis and Clark interpretive center	56,000
Judiciary--District court reimbursement	224,767
--District court automation	33,600
Justice--Motor vehicle registration	118,176
Highway Traffic Safety--DUI Task Force	31,840
--Drivers' License Fees	400,000
State Library--Aid to local libraries	63,957
Corrections--Court-ordered evaluations	<u>513,454</u>
Total Impact to Local Governments and Communities	\$4,301,624
<u>GRAND TOTAL</u>	<u>\$5,658,392</u>

Caseload decreases

The Executive Budget projects that certain costs associated with human service programs will decrease \$3.5 million during the 1993 biennium, due to reduced caseloads. By accelerating

implementation of managed care budget modifications approved by the 1991 legislature, SRS projects that it will be able to reduce fiscal 1993 medicaid costs by \$2.0 million. It also projects that Project Work Program costs can be reduced by \$0.2 million, due to declining GA caseloads.

OVERVIEW OF THE EXECUTIVE BUDGET

It is difficult to determine whether the projected savings will occur. Managed care programs in other states have slowed the growth in medicaid costs. However, todote SRS's managed care programs for the State Medical program have not achieved the savings projected by the agency.

The Executive Budget projects that state costs will decrease by \$1.2 million during the biennium if parental assets are considered in determining medicaid eligibility for children in inpatient hospital/residential psychiatric services. This estimate is based upon a proposed rule change, effective April 1992. SRS proposed a similar rule change in fiscal 1991, but withdrew it, in part because of industry concerns.

Benefit and provider rate decreases

The executive will propose legislation to eliminate a \$2.9 million retirement benefit adjustment payment to retired public employees and teachers. When the 1991 legislature enacted Senate Bill 226 (which made certain retirement income taxable and provided a benefit increase to PERS and TRS members residing in Montana), it anticipated one benefit payment would be made in fiscal 1992 and one in fiscal 1993. However, the Department of Administration has

determined that an ambiguous effective date in the bill will necessitate an additional payment in fiscal 1992, unless the law is amended.

The Executive Budget proposes to reduce the amount or delay implementation of a number of provider rate increases in SRS, for a biennial savings of \$1.9 million. It also proposes to save \$0.5 million by providing OBRA rehabilitation services to fewer children and \$0.2 million by delaying the early intervention program for infants and children with special needs. In DFS, it proposes to save \$0.2 million by delaying fiscal 1993 foster care rate increases and reducing pass-through funding for Big Brothers and Sisters programs and alcohol and drug treatment programs. Lastly, it proposes an \$0.8 million reduction in the \$3.5 million general fund appropriated by the 1991 legislature for development of a continuum of care for Montana youth (a comprehensive child welfare service system).

Revenue estimate increases

Ten percent (\$10.9 million) of the total "budget balancers" proposed in the Executive Budget are revenue estimate increases, which are listed in Table 11.

Table 11
General Fund Revenue Estimate Increases in Executive Budget
1993 Biennium

<u>Agency</u>	<u>General Fund</u>
REVENUE	
Liquor profit revenue	\$1,000,000
Corporation & natural resource tax initiatives	5,000,000
Income and miscellaneous tax initiatives	1,517,547
SOCIAL AND REHABILITATION SERVICES	
SEARCHS development	200,000
Child support operations	44,848
CORRECTIONS AND HUMAN SERVICES	
FY90 cost settlements	1,050,012
FY92/93 institutional reimbursements	1,981,717
STATE LANDS	
Federal forest fire reimbursements	112,000
TOTAL	\$10,906,124

OVERVIEW OF THE EXECUTIVE BUDGET

The Executive Budget estimates that the Department of Revenue (DOR) will increase collections from income, corporation, and natural resource taxes by \$6.5 million in the 1993 biennium by: 1) concentrating audit efforts on general fund revenue sources and reducing or eliminating time spent on cigarette, accommodations, and other miscellaneous taxes; 2) accelerating corporation tax audits by completing audits this biennium that were scheduled for the 1995 biennium; and 3) intensifying audit efforts against nonfilers. The biennial revenue estimates adopted by the legislature in HJR 24 already include \$4.3 million due to increased audit and collections work by additional staff authorized by the 1991 legislature. In addition, DOR is expected to deposit an additional \$1.0 million of liquor store

profits realized as a result of "bailment". In fiscal 1991, DOR deposited \$3.8 million generated by this change in the general fund.

DCHS has increased its revenue estimate for institutional reimbursements by \$3.0 million, including a fiscal 1990 cost settlement for \$1.0 million that was cited in a 1991 legislative audit and \$2.0 million in increased medicaid, private pay, and veterans' reimbursements.

Fund balance transfers

The Executive Budget proposes that \$9.9 million of funds in other accounts be transferred into the general fund during the 1993 biennium. Table 12 shows the recommended transfers.

OVERVIEW OF THE EXECUTIVE BUDGET

Table 12
Fund Balance Transfers, Executive Budget
1993 Biennium

Department	General Fund
Transportation--coal tax allocation	\$4,572,000
Labor and Industry--unemployment insurance administration acct.	1,500,000
SRS--Unreconciled account	1,000,000
--Child support	500,000
DHES--Hazardous waste/CERCLA	1,000,000
Secretary of State--Records management	20,000
--Administrative rules	20,000
Administration--Capitol land grant	50,000
--Photocopy pool property account	92,000
--Computer services & telecommunications	100,000
PERS--Social security contributions interest	138,964
Military Affairs--Federal funds	223,431
Governor's Office--ARCO balance	28,000
Justice--Crime lab & driver improvement fees	24,400
--Highway patrol ID & drivers license collections	36,400
Corrections and Human Services--Prison industries	605,212
Legislative Auditor--State special	22,159
--Unbudgeted revenue	7,000
TOTAL	\$9,939,566

The largest transfer is the proposed reallocation of \$4.6 million of coal severance tax revenue that currently flows into the highway account to the general fund in fiscal 1993. The 1983 legislature earmarked 12 percent of total coal severance tax collections for ten years to the Reconstruction Trust Fund (RTF) for use on state-funded highway projects. The 1991 legislature extended this allocation until 2003. Based on agency projections, the cash balance in the combined highways account (which includes the RTF) will be spent down from \$90.1 million to \$27.9 million at the end of the 1993 biennium. Reallocating the coal tax funds to the general fund will reduce the projected highways account balance to \$23.3 million at the end of the biennium. If

current spending levels continue and no additional state revenues are added, the account will have a negative cash balance in fiscal 1994.

The Executive Budget proposes to transfer \$1.5 million from the unemployment insurance (UI) administration account to the general fund. This account receives revenue from the UI administration tax enacted by the 1983 legislature. This tax, which is 0.1 percent imposed on all taxable wages paid by an employer with an UI experience rating and 0.05 percent of taxable wages paid by an employer without an experience rating, was enacted (according to legislative minutes) to keep rural Job Service offices open if federal funds were reduced. Beginning in fiscal 1989, a

OVERVIEW OF THE EXECUTIVE BUDGET

portion of the tax receipts began to be spent for administrative expenses within the Department of Labor and Industry (DOLI). The 1991 legislature appropriated \$9.7 million of the account balance and revenue for DOLI programs. The agency estimates that the \$1.5 million transfer to the general fund would leave a \$2.1 million balance in the account at the end of the biennium. (See page B-10 for additional information).

The Executive Budget also proposes that \$1.0 million be transferred to the general fund from either (or both) the Environmental Quality Protection Fund or the CERCLA/Hazardous Waste accounts. These accounts receive a portion of the interest earned on the Resource Indemnity Trust (RIT). Funds in these accounts are statutorily restricted to administration of federal and state superfund and hazardous waste programs and costs associated with environmental disasters. The executive projects combined ending fund balances of approximately \$2.1 million in these account at the end of the biennium, prior to the transfer.

Under the Executive Budget, SRS will deposit an additional \$1.0 million from an unreconciled federal account in the general fund. During the 1991 session, House Bill 2 required that SRS deposit all state funds in the account (estimated to be \$2.5 million) in the general fund and appropriated \$1.5 million of these funds to SRS and DFS. In fiscal 1991, SRS deposited \$1.5 million from the account in the general

fund and plans to transfer an additional \$1.0 million this month. However, House Bill 2 states "...if a subsequent reconciliation concludes that the funds transferred from the unreconciled account to the general fund belong to the federal government, the department may request a general fund supplemental appropriation to repay the federal funds."

The 1991 legislative session authorized a minimum \$500,000 balance in the account that supports the Child Support Enforcement Division for cashflow purposes. Under the Executive Budget, SRS plans to deposit the \$500,000 balance in the general fund and use general fund loans until the fund balance in the account is adequate to finance operations.

Funding switches

The Executive Budget proposes to save \$3.8 million general fund by substituting other funding sources, as shown in Table 13. For example, SRS will use \$120,000 in federal funds from unexpended grants to replace a like amount of general fund in the Developmental Disabilities program. Similarly, the Department of Livestock will use a \$45,000 balance in its state special revenue account to replace general fund. While these "funding switches" reduce agencies' general fund appropriations, they do not reduce the total funds available for expenditure. The specifics of each funding switch are discussed in agency narratives (Sections A through E).

OVERVIEW OF THE EXECUTIVE BUDGET

Table 13
Funding Switches in Executive Budget
1993 Biennium

SRS--Medicare buy-in	\$1,200,000
--DD - Part H	120,000
--Day care	90,954
--Operating federal funds	16,899
Family Services--IV-B Foster care	151,394
--Miscellaneous federal	620,893
Natural Resources and Conservation--Missouri River Res.	30,000
--Water Development	268,799
--MFSA/MEPA	60,000
EQC--RIT funds	1,058
Revenue--Motor fuels	10,000
Governor's Office--Plane reimbursement	20,000
--Citizens's advocate reimbursement	30,000
--Lt. Gov. economic development council	21,000
--Indirect cost allocation	10,000
Administration--Employee benefits	75,273
Military Affairs--Federal reimbursement	40,000
Board of Public Education--Certification fees	16,052
Health and Environmental Sciences--Labs	49,436
--Solid Waste	32,866
--Air Quality	107,050
--Occupational Health	15,626
Crime Control Division--Drug match	29,573
Justice--Drug forfeiture fees	8,385
--Drug matching rate	343,649
Corrections and Human Services--Veterans' per diem	184,345
Historical Society--Historic sites	15,102
State Lands--Slash funds	120,000
Livestock--Federal indirects	40,000
--State special revenue	45,000
School for the Deaf & Blind--School trust interest	<u>40,000</u>
Total	<u>\$3,813,354</u>

OVERVIEW OF THE EXECUTIVE BUDGET

Impact on 1995 Biennium

While the legislature faces a difficult task in the 1992 special session in balancing the budget for the current biennium, the 1993 legislature is likely to have an even more difficult task. Three of state government's major accounts--the general fund, school equalization account, and combined highways account--have declining fund balances.

School equalization account (SEA)

The Executive Budget projects that \$41.5 million of general fund and \$4.5 million timber sales revenue will need to be deposited in the SEA during the 1993 biennium to keep the account solvent. Based on the executive revenue estimates, the SEA will need over \$50 million additional revenue during the 1995 biennium to fund current school equalization costs (with no increase in existing foundation schedules).

Combined highways account

During the 1991 biennium, expenditures exceeded revenue in the combined highways account by \$54.3 million. Based on Department of Transportation projections and the Executive Budget proposal to divert highway coal tax funds, the combined highways account cash balance will decrease by another \$66.8 million this biennium, leaving only a \$23.3 million balance by June 30, 1993. The account will become negative in fiscal 1994 if expenditures remain at current levels and no additional revenue is deposited in the account. While the state will receive additional federal funds in the 1995 biennium, state matching funds must be provided in order to receive this federal funding.

General fund

Two measures approved by the 1991 legislature will result in increased costs and decreased revenue during the 1995 biennium:

1) Under current projections, biennial general fund debt service costs will increase by \$10.9 million, after bonds are issued for the new prisons and

university buildings authorized by the 1991 legislature; and

2) House Bill 959 (which requires payment of a portion of income taxes in order to file an extension return) provides \$11 million of "one-time" revenue during the 1993 biennium.

In addition, the Executive Budget proposes \$61.5 million of "one-time" revenue increases, fund balance transfers, and program delays to balance the general fund during the 1993 biennium. These "budget balancers" would not be available again during the 1995 biennium.

Table 14 shows the types of "one-time" revenues or budget savings contained in the Executive Budget.

Table 14
"One-Time" Budget Balancers in
the Executive Budget

<u>Proposal</u>	<u>Millions</u>
Quarterly estimates tax pymts	\$34.0
DOR accelerated audit collections	5.0
Liquor store proposal--sale of inventory	3.5
Liquor "bailment" profit	1.0
Fund balance transfers	9.9
Local govt./schools reduc.	2.7
DCHS 1990 cost settlement	1.1
Delayed programs	3.5
Funding switches	0.8
TOTAL	\$61.5

Two of the Executive Budget proposals would accelerate collection of 1995 biennium revenues into the 1993 biennium:

1) Quarterly payment of estimated taxes would be required, effective for tax year 1993 and beyond. This proposal will accelerate collection of personal

OVERVIEW OF THE EXECUTIVE BUDGET

income tax revenues, resulting in \$34.0 million in "one-time" revenue, based on the executive revenue estimate.

2) The Department of Revenue would generate \$5.0 million in additional revenue by completing audits scheduled for the 1995 biennium during this biennium.

Other proposals would produce "one-time" infusions of revenue into the general fund:

1) The \$4.0 million executive liquor store proposal includes \$3.5 million in "one-time" revenue from the sale of inventory in the 30 state liquor stores. In addition, the Executive Budget includes \$1.0 million of liquor store profits resulting from "bailment".

2) The Executive Budget proposes transfer of \$9.9 million in fund balances to the general funds. The largest transfer is the \$4.6 million diversion of coal tax funds from the highways account to the general fund. While the Executive Budget states that "...this recommendation would temporarily divert the coal tax allocation for FY93 only to the general fund", continuing the diversion in the 1995 biennium would provide an ongoing source of revenue to the general fund, but would reduce highways funding by a like amount.

3) The proposal to transfer \$2.0 million of Coal Board funds to the general fund is presented as a "one-time" diversion in the Executive Budget, as are \$0.7 million of the other reductions in local government pass-through funds.

4) DCHS estimates that settlement of a fiscal 1990 medicaid reimbursement case will result in a \$1.1 million in increased revenue in the 1993 biennium.

5) The Executive Budget also proposes realizing \$3.5 million of savings during the 1993 biennium by delaying provider rate increases and the implementation of new programs. However, these rate increases and new programs will be in place when the 1993 legislature begins, with a full biennium's costs anticipated for the 1995 biennium.

Moreover, the \$26.3 million in agency budget reductions imposed by the Executive Budget in the 1993 biennium may not significantly reduce the "budget base" for the 1995 biennium. The Executive Budget proposes a net reduction of 23.8 FTE, with the remainder of the \$22.4 million in personal services reductions to be achieved by holding existing positions vacant. Since under current budgeting practices personal service budgets are based on a "snapshot" of existing staff in the summer prior to the legislative session, any positions filled at that point become part of the current level base. Similarly, equipment purchases are "zero-based" under current budget practices, so the \$0.4 million general fund reduction in 1993 biennium equipment budgets imposed by the Executive Budget will not reduce the 1995 budget base.

Most importantly, benefits in human service programs are based on projected caseloads and costs. Since fiscal 1979, human service benefits have grown by an average 9 percent per year. The Executive Budget projects that human service benefits in the 1993 biennium will exceed the level projected a year ago by \$11.8 million general fund. Continued growth of benefits at this rate will substantially increase the difficulties of balancing the 1995 biennium budget.

BUDGET BALANCING OPTIONS

Estimated Biennial Impact

The following table presents the estimated biennial impact on the general fund and school equalization account (SEA) of a number of "budget balancing" options. Additional information on these options is provided on the indicated pages of the summary sections that follow.

THESE OPTIONS ARE NOT PRESENTED AS RECOMMENDATIONS. At the request of the Management Advisory Subcommittee of the Legislative Finance Committee, the LFA staff has prepared estimates on a wide variety of options available to address the current budget situation. While many of these options (such as reductions in the foundation program and increases in tax rates) are not within

the special session call, the subcommittee felt that it would be useful for all legislators to have a readily available guide to current general fund revenues and expenditures and a broad range of alternatives.

The fiscal impact of many of the options depends on the date and manner of implementation. The assumptions used in preparing the estimates shown in Table 1 are discussed in the accompanying summary sections.

The options and related estimates shown in the table are designed as a starting point for legislative discussion. Staff will provide additional research and information on options that the legislature wishes to pursue.

Table 1
General Fund and SEA Impact of
Budget Balancing Options
(Millions)

	<u>1993 Biennium</u>	<u>Page #</u>
I. BUDGET REDUCTIONS		
<u>State agencies</u>		
1% reduction in all agencies	\$ 7.2	Summary-21
1% reduction in all agencies, with exceptions	3.9	Summary-21
1 day furlough in all agencies	1.0	Summary-30
Repeal of unimplemented budget modifications	5.9	Summary-24
Repeal of unimplemented miscellaneous appropriations	4.2	Summary-25
<u>Education</u>		
1% reduction in foundation schedules*	\$ 3.5	Summary-32
1% reduction in GTB support*	0.5	Summary-32
1% reduction in special education*	0.3	Summary-32
1% reduction in school transportation*	0.06	Summary-32
1% reduction in higher education	2.6	E-12

BUDGET BALANCING OPTIONS

	<u>1993 Biennium</u>	<u>Page #</u>
<u>Statutory appropriations</u>		
1% reduction in personal prop. reimbursement*	\$ 0.2	Summary-26
1% reduction in retirement benefit adjustment	0.07	Summary-26
Elimination of FY91 retirement benefit payment	2.9	Summary-26
Refinance of G.O. debt	8.0-10.9	Summary-27
<u>Long range building program</u>		
Elimination of general fund LRBP for U-system	\$ 2.4	F-1
Water, renewable resource, reclamation grants	6.3	F-7
Cultural and aesthetics grants	0.3	F-5
II. FUND BALANCE TRANSFERS		
<u>Trust principals</u>		
Permanent coal trust	\$507.9	Summary-51
Parks acquisition trust	12.6	Summary-52
Arts protection trust	6.8	Summary-52
Noxious weed	2.5	Summary-53
<u>Other balances</u>		
Unemployment insurance tax	\$ 1.5	Summary-12
RIT accounts	2.2	Summary-43

*FY93 only

BUDGET BALANCING OPTIONS

1993 Biennium

Page #

III. REVENUES

Reallocate existing revenues

Coal severance tax (effective 1/30/92)	\$ 12.8	Summary-39
Accommodations tax (effective 1/30/92)	2.9	Summary-41
Liquor license tax (effective 7/1/92)	1.2	Summary-42
Video gaming (effective 7/1/92)	7.5	Summary-42
Financial institutions tax (effective 7/1/92)	4.3	Summary-42
State timber sale increase (effective 1/1/92)	4.5	Summary-43

Estimates

Quarterly estimated tax payment	\$ 29.4	Summary-37
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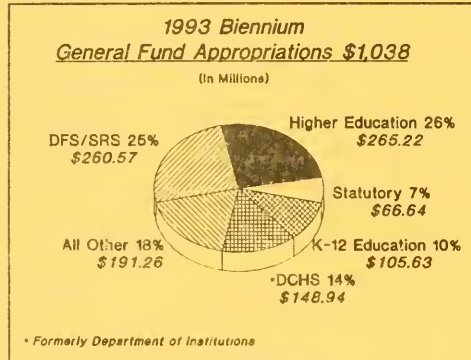
Increased revenues

1% personal income tax surtax (effective 1/1/92)	\$ 4.2	Summary-46
1% corp tax surtax (1/1/92)	0.8	Summary-46
1% sales tax (6/30/93)	0.0	Summary-46
1 mill on statewide value (1/1/92)	1.6	Summary-46
Increased liquor, beer and wine tax rates (1/1/92)	1.0	Summary-47
1¢ cigarette and 1% tobacco products tax incr. (1/1/92)	1.7	Summary-47
1% increase in video gaming tax rate (1/1/92)	0.7	Summary-47
1% increase in oil/natural gas sevr. tax rate (1/1/92)	6.7	Summary-48
1% increase in coal severance tax rate (1/1/92)	1.0	Summary-48
1% increase in metalliferous mines tax rate (1/1/92)	3.7	Summary-48
Eliminate insurance tax credit (1/1/92)	7.0	Summary-48
Eliminate capital company (1/1/92)	2.0	Summary-48
Increase tuition (FY92 AND FY93)	9.4	Summary-49

GENERAL FUND APPROPRIATIONS, 1993 BIENNIUM

Legislative Action

Seventy-five percent of the total general fund appropriations during the 1993 biennium are for human services programs, state institutions, and education. Statutory appropriations comprise another 7 percent of total general fund spending, while all other state agencies are funded with the remaining 18 percent of general fund.



Human service benefits - Expenditures for human service benefits comprise 78 percent of the combined 1993 biennium general fund budgets for the departments of Social and Rehabilitation Services (SRS) and Family Services (DFS). Expenditures for benefits have increased an average 9 percent per year since fiscal 1979, while total general fund spending has increased an average 6 percent per year during the same period. As a result, benefits now comprise a much larger percentage of the general fund "pie". In fiscal 1979, expenditures for benefit programs in SRS/DFS accounted for only 13 percent of total general fund expenditures. In comparison, 21 percent of the total general fund will be spent on benefits in fiscal 1993.

State institutions - General fund appropriations for salaries and employee benefits for direct care workers in the Department of Corrections and Human Services (DCCHS) (formerly Department of Institutions) account for 35 percent of the agency's total budget. In addition, 13 percent of DFS's non-benefit budget is dedicated to salaries and employee benefits for direct care workers at the

two institutions it operates (Mountain View and Pine Hills).

Statutory appropriations - The amount of general fund obligated for statutory appropriations has increased from slightly over 1 percent in fiscal 1979 to an estimated 7 percent during the 1993 biennium. In 1979, the only statutory appropriation was for payments on bonded indebtedness. Under current statute, general fund statutory appropriations fund reimbursement to local governments and school districts for personal property tax relief, retirement benefit payments, and debt service.

Higher education - Since 1979, higher education's share of the general fund "pie" has varied from 21 to 26 percent.

K-12 education - During the 1993 biennium, nearly \$95 million of general fund is appropriated for operation of the Office of Public Instruction (OPI) and distribution to school districts to help fund special education, transportation, school foods, secondary vocational education, and other programs. The 1991 legislature also estimated that a \$10.8 million general fund supplemental to the school equalization account (SEA) would be necessary to fund the foundation program.

In addition to this general fund support, the state will provide over \$600 million to local school districts from the SEA for the foundation program and school transportation during the 1993 biennium.

Executive Budget

The Executive Budget proposal would slightly alter the allocation of the general fund "pie". The \$41.5 million general fund supplemental to the SEA (even when reduced by the \$1.5 million budget reduction imposed on OPI) substantially increases general fund spent on K-12 education. Higher education's portion of the "pie" declines due to the \$16.5 million general fund reduction recommended in the Executive Budget. Net general fund appropriations to SRS and DFS decrease slightly (\$0.8 million), as does the general fund appropriation to DCCHS (\$0.5 million).

ACROSS THE BOARD REDUCTIONS

"Percentage" Reductions

The following table shows the biennial general fund savings that would be generated by making "across-the-board" percentage reductions in all state agency and university system general fund budgets. The second column in Table 1 shows the estimated biennial savings if reductions were applied against general fund appropriations in HB 2, HB 509 (payplan) and all miscellaneous appropriation bills. The third column depicts the estimated savings if reductions were applied against these same appropriations less certain exceptions, which are discussed below the table.

Table 1
Biennial Estimated Savings

<u>% Reductions</u>	<u>Without Exceptions</u>	<u>With Exceptions</u>
1%	\$ 7,172,614	\$ 3,947,371
2%	14,345,227	7,894,742
3%	21,517,841	11,842,113
4%	28,690,454	15,789,485
5%	35,863,068	19,736,856
6%	43,035,681	23,684,227
7%	50,208,295	27,631,598
8%	57,380,908	31,578,969

Exceptions - Items excluded from the "across-the-board" reductions in the third column of Table 1 are:

1) salaries and employee benefits for direct care workers at all state institutions. In most instances, institutional direct care workers are staffed on a staff-to-resident basis or on a posting system, which requires that a minimum level of staff be on shift around-the-clock. Holding direct care positions open to generate savings may require that management call in other workers on an overtime basis to maintain security and licensure requirements.

2) all social and medical benefits in the departments of SRS, DFS; and

silicosis/social security offset benefits in DOLI. Expenditures for major social and medical benefit programs cannot be cut by simply reducing appropriations. Medicaid and Aid to Families with Dependent Children (AFDC) are federally-mandated entitlement programs whose roles and scopes can only be reduced by amending state rules within federal parameters. Other social benefit expenditures fund community services for persons who formerly resided in state institutions. Across-the-board reductions in these benefits may result in increased expenditures at state institutions.

3) salaries and employee benefits for county attorneys, district court justices, supreme court justices, and elected county assessors. Since salaries for elected officials are set by statute, vacancy savings cannot be generated by the replacement of an incumbent with a new employee at a lower rate of pay. In addition, state agencies which fund these positions cannot leave elected official positions open to generate savings.

4) all fiscal 1992 pass-through funds for K-12 education. Because local school districts' fiscal 1992 budgets have been set based on anticipated pass-through funding, fiscal 1992 general fund distribution to public schools (such as special education and transportation) are excluded.

5) instruction programs at the six university units and the five vocational-technical centers. Instruction programs at units of higher education are excluded due to faculty contracts.

While it may be possible to make reductions in these items, the legislature may wish to consider them individually, rather than making "across-the-board" reductions.

Table 2 shows total biennial general fund appropriations to each state agency by bill type and a 1% reduction applied against each agency, with and without the exceptions described above.

ACROSS THE BOARD REDUCTIONS

Reversions

The 1991 legislature assumed that agencies would not spend approximately 1.7 percent of their appropriations, thus reverting approximately \$16 million in general fund during the biennium. In recent years, general fund reversions have varied from 1.7 percent to 3.2

percent, depending in large part on the vacancy savings rate imposed by the legislature. Generally, reversions decrease as higher vacancy savings rates or other budget reductions are imposed.

As Table 2 shows, anticipated reversions decrease as "across-the-board" reductions are applied.

ACROSS THE BOARD REDUCTIONS

Table 2
1993 Biennium 1% General Fund Budget Reductions by Agency

Agency	-----General Fund Biennial Appropriations-----				-----Reductions-----	
	HB 2 Approp.	HB 509 Approp.	Misc. Approp.	Total Approp.	1% Reduction W/Except.	1% Reduction W/Except.
Higher Education	\$249,927,283	\$12,055,369	\$ 3,235,648	\$265,218,300	\$2,652,183	\$1,507,256
Dept. Of Soc & Rehab Services	194,241,561	1,152,622	2,553,027	197,947,210	1,979,472	221,495
Dept. Of Corr. & Human Serv.	139,828,750	9,107,459	8,000	148,944,209	1,489,442	973,721
Public Schools*	84,808,765			84,808,765	848,088	423,992
Dept. Of Family Services	59,217,321	2,294,466	1,113,525	62,625,312	626,253	296,914
Dept. Of Revenue	37,670,296	2,724,576	1,167,768	41,562,640	415,626	382,611
Dept. Of Justice	23,261,367	1,182,021	2,154,950	26,598,338	265,983	240,998
Dept. Of State Lands	17,610,878	755,970		18,366,848	183,668	183,668
Supreme/District Courts	16,356,802	194,653	420,000	16,971,455	169,715	107,626
Dept. Of Natural Resources	9,208,166	594,006		9,802,172	98,022	98,022
Office Of Public Instruction	7,257,649	312,308	2,471,000	10,040,957	100,410	100,410
Dept. Of Health	7,206,012	308,135	1,083,299	8,597,446	85,974	85,974
Dept. Of Administration	6,805,211	386,580	673,200	7,864,991	78,650	78,650
Dept. Of Commerce	5,534,761	256,434	780,600	6,571,795	65,718	65,718
School For the Deaf & Blind	5,201,698	363,779		5,565,477	55,655	55,655
Office Of The Governor	5,029,177	241,038		5,270,215	52,702	52,702
State Auditor	4,444,498	264,099		4,708,597	47,086	47,086
Dept. Of Military Affairs	4,193,868	182,471	45,601	4,421,940	44,219	44,219
Legislative Council	4,111,703	229,732	37,000	4,378,435	43,784	43,784
Public Service Commission	4,046,114	214,779		4,260,893	42,609	42,609
Historical Society	2,499,725	156,101		2,655,826	26,558	26,558
Legislative Auditor	2,427,560	146,018		2,573,578	25,736	25,736
Library Commission	2,247,880	116,814		2,364,694	23,647	23,647
Dept. Of Agriculture	2,225,048	144,488		2,369,536	23,695	23,695
Secretary Of State	1,983,283	94,582		2,077,865	20,779	20,779
Legislative Fiscal Analyst	1,737,378	79,228	66,000	1,882,606	18,826	18,826
Dept. Of Labor & Industry	1,692,680	52,380		1,545,060	15,451	7,278
Dept. Of Livestock	1,550,555	96,053		1,646,608	16,466	16,466
Board of Crime Control	988,680	55,315		1,043,995	10,440	10,440
Dept. Of Transportation	957,951	31,632		989,583	9,896	9,896
Dept. Of Fish, Wildlife & Park	846,119	20,078		866,197	8,662	8,662
Environmental Quality Council	568,748	30,381		599,129	5,991	5,991
Highway Traffic Safety	398,000			398,000	3,980	3,980
Comm. of Political Practices	283,225	13,941		297,166	2,972	2,972
Montana Arts Council	261,434	9,895		271,329	2,713	2,713
Board Of Public Education	232,703	8,597		241,300	2,413	2,413
Less Estimated Reversions	(16,162,000)			(16,162,000)	(2,390,871)	(1,315,790)
Total General Fund	\$890,500,849	\$33,876,000	\$15,809,618	\$940,186,467	\$7,172,614	\$3,947,371

* General fund passed through to school districts, including transportation, special education, secondary vo-ed, and school foods. (Does not include state support for the school foundation program.)

BUDGET MODIFICATIONS AND MISCELLANEOUS APPROPRIATIONS

Budget Modifications

The 1991 legislature approved general fund budget modifications and current level adjustments totalling \$65.6 million for the 1993 biennium. These budget modifications and current level adjustments authorized 34 additional FTE (growing to 37 FTE in fiscal 1993), \$12.1 million in provider rate increases, \$17.5 million additional support for the university system, expansion of existing and creation of

new programs, and purchase of new equipment. In most cases, agencies have implemented these budget modifications and current level adjustments. However, in some cases agencies have not spent any of the general fund appropriated for these purposes. As the following table shows, the biennial total of the budget modifications and current level adjustment that had not been implemented as of November 30, 1991, was \$5.9 million.

Table 1
General Fund Budget Modifications and Current Level Adjustments*, 1993 Biennium
(Millions)

<u>Agency</u>	<u>Approved</u>	<u>Not Implemented as of 11/30/91</u>
Social and Rehabilitation Services (SRS)	\$ 23.2	\$ 1.4
University System	17.5	1.6
Family Services	6.9	0.2
Corrections and Human Services	5.4	1.1
Justice	2.8	0.4
State Lands	1.3	0.1
Revenue	1.5	0.3
OPI	1.0	0.0
Commissioner of Higher Ed	0.8	0.2
Health and Environ. Sciences	0.8	0.04
Judiciary	0.8	0.0
Fish, Wildlife and Parks	0.7	0.0
Commerce	0.4	0.0
Library Commission	0.3	0.0
All others	<u>2.2</u>	<u>0.6</u>
Total	\$ 65.6	\$ 5.9

*Includes significant current level adjustments approved by the 1991 legislature in the university system (\$14.9 million) and Department of Family Services (\$1.4 million). These adjustments are listed in the agency narratives.

Tables in the agency narratives (Sections A through E) list the general fund budget modifications and current level adjustments approved for each agency and the amount spent on each through November 30, 1991. In many

cases, it is difficult to determine the exact expenditure for a budget modification or adjustment, since it has been combined with the agency's current level appropriation. If the agency has implemented the budget modification or

BUDGET MODIFICATIONS AND MISCELLANEOUS APPROPRIATIONS

current level adjustment (by hiring the authorized FTE, purchasing equipment, signing a contract), it is shown as "implemented" in the table in that agency's narrative.

Over \$12.1 million of the general fund budget modifications are for provider rate increases. While all the increases for fiscal 1992 have been implemented, the legislature may wish to consider delaying or eliminating the fiscal 1993 increases. The Executive Budget proposes delaying some fiscal 1993 provider rate increases and reducing the size of other provider increases in SRS and the Department of Family Services, for a general fund savings of \$2.1 million.

Miscellaneous Appropriations

The 1991 legislature approved miscellaneous ("cat and dog") appropriations bills totalling \$15.8 million general fund for the 1993 biennium. As the following table shows, \$4.2 million of these miscellaneous appropriations had not been implemented as of November 30, 1991.

Tables in the agency narratives (Sections A through E) list the miscellaneous general fund appropriations approved for each agency and the amount spent for each through November 30, 1991.

Table 2
General Fund Miscellaneous Appropriations, 1993 Biennium
(Millions)

<u>Agency</u>	<u>Approved</u>	<u>Not Implemented as of 11/30/90</u>
Social and Rehabilitation Services	\$ 2.6	\$ 0.1
Office of Public Instruction	2.5	0.0
Justice	1.6	0.1
Family Services	1.1	0.3
Health and Environ. Sciences	1.1	0.0
Revenue	1.2	0.0
Administration	3.7	2.4
Commerce	0.8	0.7
Transportation	0.6	0.6
Judiciary	0.4	0.0
Other	<u>0.3</u>	<u>0.0</u>
Total	\$ 15.8	\$ 4.2

STATUTORY APPROPRIATIONS

General Fund

Under current law, \$71.4 million is statutorily appropriated from the general fund for these purposes: 1) payment of principal and interest on outstanding general obligation debt; 2) personal property reimbursements; and 3) retirement benefit adjustment payments. As statutory appropriations, these expenditures are not reviewed during each legislative session and continue unless the statutes authorizing them are amended.

Two New Programs

In the last two biennia, the legislature created two new statutory appropriations from the general fund: 1) personal property reimbursement to local governments and schools; and 2) benefit adjustment payments to retired state, local government, and school district employees. Under current law, the 1993 biennium general fund cost of these program will be \$48.8 million. This is \$4.7 million more than anticipated by the 1991 legislature.

Table 1
Selected General Fund Statutory Appropriations
1993 Biennium Cost (millions)

Program	Session Estimate	Current Estimated Cost	Difference
Personal property reimbursement	\$37.0	\$38.8	\$1.8
Retirement benefit adjustment	<u>7.1</u>	<u>10.0</u>	<u>2.9</u>
Total	44.1	48.8	4.7

Personal Property Tax Reimbursement

During the 1989 special session, the legislature lowered the property tax rates for most personal property to 9 percent and established a mechanism to reimburse local governments and schools from the state general fund for the revenue loss due to this tax change. The 1993 biennium general fund cost of this reimbursement is currently estimated to be \$38.8 million.

Reimbursements, which the Department of Revenue distributes in November and May, are based on: 1) the decrease in taxable value due to the personal property tax rate change; and 2) the current year mill levies. If school district or local government mills increase, the general fund cost of the reimbursement increases. Fiscal 1992 reimbursements are 3.8 percent higher than fiscal 1991 reimbursements: FY91 \$18.3 million; FY92 \$19.0 million.

Based on this growth rate, fiscal 1993 reimbursements will be \$19.7 million.

Retirement Benefit Adjustment

Senate Bill 226, passed by the 1991 legislature, imposed state income taxes on retirement benefits paid by the Public Employees Retirement System (PERS) and the Teacher's Retirement System (TRS), beginning in tax year 1991. It allowed a \$3,600 exemption for all federal, state, and local retirement benefits for those with federal adjusted gross incomes of \$30,000 or less. This exemption is phased out for incomes above \$30,000.

In addition, the bill increased PERS and TRS annual retirement benefits by 2.5 percent for all in-state retirees and provided a general fund statutory appropriation for these payments. The fiscal note for the bill assumed that these payments would begin in fiscal 1992, for a biennial cost of \$7.07

STATUTORY APPROPRIATIONS

million. However, due to an ambiguity in the effective date of the bill, the Department of Administration has determined that the retirement benefit adjustment section was effective in fiscal 1991. The Department has not yet made the fiscal 1991 payment. Unless the law is amended, the department plans to make an additional payment in fiscal 1992 to provide the 1991 benefit, at a general fund cost of \$2.9 million.

The Executive Budget proposes legislation to eliminate this additional benefit payment.

Debt Service

Funds to pay the principal and interest due on general obligation debt issued by the state is statutorily appropriated from the general fund. As of July 1, 1991, the outstanding balance of existing debt was \$47.1 million. The general fund debt service costs of these bonds will be \$10.8 million in fiscal 1992 and \$11.8 million in fiscal 1993.

Refunding 1983 Series "A" Bonds

The Department of Administration (D of A) has explored the possibility of refunding the existing 1983 Series "A" bonds to reduce the debt service payments currently being made from the

general fund. A Montana investment firm prepared cost estimates for two alternative debt restructuring proposals. While restructuring existing general fund debt is not part of the Executive Budget, information on these two alternatives is presented below.

The state refunded its general obligation debt in 1983 when it issued the current Series "A" bonds.

Taxable bonds

Table 2 shows the impact of deferring the remainder of the 1993 biennium debt service costs (the February 1992 interest payment, August 1992 principal and interest payment; and February 1993 interest payment). This would reduce the 1993 biennium general fund costs by \$13.0 million. However, the cost to do this, as shown in the table, would be an additional \$6.0 million during the next three biennia. Under this proposal, taxable bonds would be issued to avoid paying a federal penalty. Federal law imposes a penalty for a second refunding of tax exempt bonds at a lower interest rate.

STATUTORY APPROPRIATIONS

Table 2
Interest Costs of Proposed Debt Restructure, Taxable Bonds
(Millions)

Fiscal Year	Current Series "A" Refunding Bonds 1983	Proposed Debt Restructure		
		Additional Debt Service	New Debt Service	Change in Debt Service
1992	\$2.10	\$0.00	\$0.00	(\$2.10)
1993	11.94	1.03	1.03	(10.91)
1994	12.64	1.03	13.67	1.03
1995	11.84	1.03	12.87	1.03
1996	11.48	1.03	12.51	1.03
1997	3.81	1.03	4.84	1.03
1998	0.57	7.44	8.01	7.44
1999	0.84	7.43	8.27	7.43
2000	0.84		0.84	0.00
2001	0.84		0.84	0.00
2002	0.84		0.84	0.00
2003	0.84		0.84	0.00
2004	0.84		0.84	0.00
2005	0.84		0.84	0.00
2006	0.83		0.83	0.00
2007	0.69		0.69	0.00
2008	0.69		0.69	0.00
2009	0.69		0.69	0.00
2010	0.62		0.62	0.00
2011	0.00		0.00	0.00
2012	0.00		0.00	0.00
2013	0.00		0.00	0.00
2014	0.00		0.00	0.00
	\$63.78	\$20.02	\$69.76	\$5.98

Source: Department of Administration

Tax-exempt bonds

Table 3 shows the effect of fully refunding the 1983 Series "A" bonds. Under this proposal, the refunding bonds would be tax exempt and, therefore, subject to a federal transferred proceeds penalty of approximately \$3.0

million. This penalty would be amortized as part of the principal and interest costs over the life of the bonds. As the table shows, there would be a \$10.1 million reduction in debt service payments in the 1993 biennium. However, total interest costs for these new bonds would be \$8.2 million more than the existing debt service payments.

STATUTORY APPROPRIATIONS

Table 3
Interest Costs of Refunding 1983 Series "A" Bonds
(Millions)

Fiscal Year	Series "A" Refunding Bonds 1983	New Debt Service	Change in Debt Service
1992	\$2.10	\$0.89	(\$1.21)
1993	11.94	3.01	(\$8.93)
1994	12.64	13.75	\$1.11
1995	11.84	12.96	\$1.12
1996	11.48	12.60	\$1.12
1997	3.81	4.93	\$1.12
1998	0.57	1.68	\$1.11
1999	0.84	1.95	\$1.11
2000	0.84	1.96	\$1.12
2001	0.84	1.95	\$1.11
2002	0.84	1.95	\$1.11
2003	0.84	1.95	\$1.11
2004	0.84	1.95	\$1.11
2005	0.84	1.95	\$1.11
2006	0.83	1.95	\$1.12
2007	0.69	1.81	\$1.12
2008	0.69	1.80	\$1.11
2009	0.69	1.81	\$1.12
2010	0.62	1.12	\$0.50
2011	0.00	0.00	\$0.00
2012	0.00	0.00	\$0.00
2013	0.00	0.00	\$0.00
2014	0.00		
	\$63.78	\$71.97	\$8.19

Source: Department of Administration

The figures shown in both debt restructuring proposals are based on the assumption that the new debt would be issued prior to the February 1992 interest payment due on existing debt (\$2.1 million). If a decision were made to issue new debt, at least six to eight weeks would be necessary to complete the sale, according to D of A staff. Thus, it is unlikely that any debt restructuring could be completed in time to avoid making the February payment.

State's bond rating

The D of A is concerned that restructuring existing debt may negatively impact the state's bond rating, since national rating agencies may regard it as an attempt to issue debt to finance deficit spending.

STATE EMPLOYEE PAY

Pay Increase

The 1991 legislature appropriated \$33.9 million general fund (\$67.9 million total funds) to fund the pay increase and the additional health insurance contribution for state and university system employees in the 1993 biennium. House Bill 509, which appropriated these funds, provided a pay increase of 60 cents per hour in fiscal 1992, 25 cents per hour in the first half of fiscal 1993, and an additional 20 cents per hour in the last six months of fiscal 1993 for all state and university system employees. In addition, the bill provided an annual "progression increase" of 0.125 percent of each full percent an employee covered by the general pay matrix is below the market salary. The bill also increased the state's contribution for health insurance by \$20 per month in both fiscal 1992 and 1993.

Collective bargaining agreements

Through November, 73 bargaining units covering 5,750 employees of state agencies and 17 bargaining units covering 2,000 university employees had ratified two-year contracts containing the provisions of House Bill 509. Eight bargaining units representing 118 state agency employees and 650 university system faculty had not yet signed agreements.

In an opinion prepared in 1986, Department of Administration legal staff stated that it would be "extremely difficult" for the state to unilaterally amend collective bargaining agreements to modify or eliminate pay increases and the additional health insurance contribution. Both the U.S. and Montana constitutions prohibit the state from substantially impairing contracts. The opinion stated that the legislature can prospectively modify or eliminate the pay increase and additional health insurance contribution for employees that are not covered by collective bargaining agreements, provided this action is taken before the pay increase is scheduled to go into effect. Currently, 49 percent of state agency employees are not covered by collective bargaining agreements.

Eliminating pay plan funding

The legislature can reduce or eliminate the funding for the pay plan increase and additional health insurance contribution. Since, however, the state may still be legally required to provide these increases to all employees covered under a collective bargaining agreement or all state employees if the House Bill 509 provisions are not amended, agencies would have to pay these costs through vacancy savings, layoffs, or other savings.

Under current law, agencies can transfer unexpended appropriations from the first year of the biennium to the second to offset pay increase costs (section 2-18-106, MCA). While this provision gives agencies flexibility if pay plan funding were reduced or eliminated, it also substantially reduces anticipated reversions in fiscal 1992.

Fiscal 1987 experience

During the June 1986 special session, the legislature eliminated the \$8.1 million general fund (\$12.5 million total funds) appropriation for the fiscal 1987 pay increase and health insurance contribution increase. It also passed a bill repealing the statute providing the fiscal 1987 pay increase and additional insurance contribution, contingent upon the renegotiation of at least 95 percent of the collective bargaining agreements by a specified date.

Since no unions agreed to renegotiate bargaining agreements, the fiscal 1987 pay increase and health insurance contribution remained in effect. Because agencies did not have the funds to pay for these increases, additional vacancy savings and other budget reductions were necessary.

State Employee Furloughs

Requiring all employees of state agencies to take a one day unpaid leave (furlough) would save approximately \$0.5 million general fund (\$1.1 million total funds). Actual savings would be reduced if "essential" employees were exempted

STATE EMPLOYEE PAY

or overtime costs were incurred for other employees handling furloughed employees' workloads.

Requiring employees of the university units and cooperative extension agencies to take a one-day furlough would save an additional estimated \$0.4 million. However, it is unclear whether employees under annual contract could be required to take unpaid leave and how the pay reduction would be calculated.

State employee furloughs have been used by some agencies to respond to budget reductions. The Historical Society is requiring general fund employees to take 54 hours of unpaid leave in fiscal 1992 and required 83 hours unpaid leave in fiscal 1988. In fiscal 1986, the Department of Justice required all employees (including highway patrol offices) to take three days of unpaid leave. The highway patrol officers' union filed a grievance, alleging that

this practice violated the collective bargaining agreement. The Board of Personnel Appeals denied the grievance. A district court upheld the decision of the board, based on language in the agreement.

State labor negotiators note that: 1) the language in current collective bargaining agreements relating to work schedules varies; and 2) there is extensive and conflicting case law regarding state employee furloughs in other states.

The 1987 legislature enacted a bill providing that employee vacation, sick leave, and retirement benefits would not be reduced as a result of furloughs. This act terminated June 30, 1989.

SCHOOL FOUNDATION PROGRAM

SEA Deficit

Based on the executive current law revenue estimates, the school equalization account (SEA) will need \$46.0 million general fund supplemental during the 1993 biennium in order to fund the foundation schedules and guaranteed tax base (GTB) payments authorized by statute and the \$8.1 million of transportation and telecommunication costs appropriated by the 1991 legislature from the account'. Section 20-9-351 requires that the Superintendent of Public Instruction request a general fund supplemental if SEA revenues are insufficient to fund appropriations.

The new school equalization program enacted during the 1989 special session was designed to be funded entirely from the SEA. However, expenditures have been higher than anticipated and revenues lower:

1) guaranteed tax base (GTB) costs have been more than \$17 million per year higher than anticipated, and the 1991 legislature funded \$7.8 million of increased transportation and \$0.3 million of telecommunication costs from the account.

2) fiscal 1991 revenues were \$22.8 million less than anticipated and OBPP projects 1993 biennium revenues will be \$11.6 million less than anticipated.

Longterm Problem

Based on the OBPP revenue estimates adjusted for historical growth, the SEA

The Executive Budget shows a \$41.5 million general fund supplemental to the SEA, based on adoption of its proposal to amend current law to enable state timber sale income to be deposited in the SEA rather than the common school trust. This proposal would increase SEA revenue by \$4.5 million during the biennium, thus reducing the general fund supplemental from \$46.0 million to \$41.5 million.

account will need over \$50 million in additional revenue during the 1995 biennium to support the current school equalization program (with no schedule increases).

Under the new school equalization program, the state payment to local school districts increased substantially - from \$187.2 million in fiscal 1990 to \$296.6 million in fiscal 1991. Fiscal 1992 payments are expected to total \$296.7 million. This \$110 million increase in state support was primarily due to a shift in payments and tax revenue from local districts to the state and did not reflect an absolute increase for districts. Nevertheless, the state payments from the SEA increased substantially.

While the 1989 special session increased the SEA's share of existing revenue sources (lottery, income tax, interest) to fund the new school equalization program, the 40 mill statewide levy was the only new state revenue source enacted. Because the statewide property tax base is relatively static, this new revenue source is unlikely to keep pace with inflation.

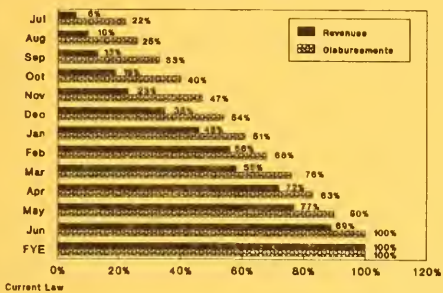
Cashflow Problem

In addition to having a fund balance deficit at the end of the biennium, the SEA has a serious cashflow problem within each fiscal year. Under current law, 20 percent of the estimated annual state foundation and GTB payments are made in July and 7 percent each month thereafter, with any remainder paid in June. As a result, approximately 47 percent of annual disbursements from the account are made in the first five months of the year, while less than 25 percent of the account's revenue is received during this period, as shown in Graph 1. In order to meet the payment schedule, the SEA must receive large general fund loans: \$62.7 million in November 1990 and \$74.0 million in November 1991. These large loans significantly impact the general fund cashflow.

SCHOOL FOUNDATION PROGRAM

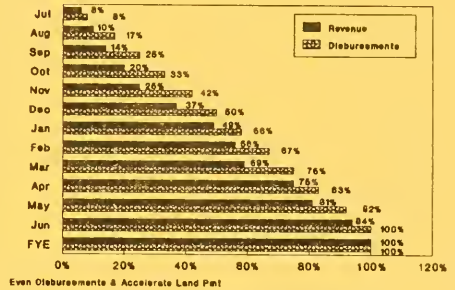
Graph 1

STATE EQUALIZATION ACCOUNT
Cumulative Monthly Cash Flow



Graph 2

STATE EQUALIZATION ACCOUNT
Cumulative Monthly Cash Flow



The SEA's cashflow position would be improved if the payment schedule were revised. One option is shown in Graph 2. Under this option: 1) equal-sized school equalization payments would be made throughout the year; and 2) the Department of State Lands would distribute common school trust interest and income to the SEA monthly. Currently, this revenue (\$35.9 million in fiscal 1991) is distributed to the account twice a year (February and June).

REVENUE ESTIMATES, 1993 BIENNIUM

HJR 24

Section 5-18-107, MCA, provides that the legislatively adopted revenue estimate "constitutes the legislature's current revenue estimate" and "will be used by all agencies with responsibilities for estimating revenues and costs, including preparation of fiscal notes". In House Joint Resolution 24 (HJR 24), the 1991 legislature adopted 65 economic assumptions that determined the official legislative estimate. The Revenue Oversight Committee (ROC) is assigned the responsibility of preparing an estimate of available revenues for consideration of the legislature. ROC plans to meet on January 3 to consider amendments to HJR 24.

Original Estimates

Prior to the 1991 session, the ROC adopted the revenue estimates included in HJR 24, as introduced. In accordance

with section 5-18-107, the Legislative Fiscal Analyst's office (LFA) used these estimates in its Budget Analysis. While the Executive Budget was published prior to ROC's adoption of revenue estimates, the executive and ROC's revenue estimates were remarkably close--a difference of only \$5.0 million for the 1993 biennium or less than three-tenths of one percent. While the executive estimate of income tax, corporation tax, and oil severance taxes were higher than HJR 24, its estimate for other sources were lower, resulting in almost identical estimates for total available general fund and school equalization account (SEA) revenues.

There were very few changes in HJR 24 during the legislative process. The following table shows revenue estimates for three key areas as contained in the Executive Budget revenue estimate, HJR 24 as introduced, and HJR 24 as approved by the legislature.

Table 1
Key Revenue Assumptions

	<u>1991</u>	<u>1992</u>	<u>1993</u>
<u>Income Tax (Millions) (FY)</u>			
OBPP ¹	\$303.460	\$311.176	\$327.201
HJR 24 (introduced) ²	300.490	305.411	323.470
HJR 24 (adopted) ³	300.490	307.161	325.820
<u>Corp. Tax (Millions) (FY)</u>			
OBPP	44.861*	56.083	55.409
HJR 24 (introduced)	43.307*	53.645	52.879
HJR 24 (adopted)	43.307*	53.632	52.854
<u>40 Mills (Million) (FY)</u>			
OBPP	67.719	71.934	73.187
HJR (introduced)	69.910	71.902	73.375
HJR 24 (adopted)	69.910	71.864	73.378
<u>Oil (Price/Barrel) (CY)</u>			
OBPP	25.70	22.01	20.63
HJR 24 (introduced)	23.73	21.60	21.23
HJR 24 (adopted)	21.50	21.60	21.23

*General Fund Portion

¹ As published in Executive Budget (12/1/90)

² HJR 24 as introduced and as used in LFA Budget Analysis (1/7/91)

³ HJR 24 as adopted by the legislature

REVENUE ESTIMATES, 1993 BIENNIUM

FY1991 Collections

After adjusting for late payments, general fund and SEA revenue collections

in fiscal 1991 were \$31.4 million or 3.8 percent below the HJR 24 revenue estimates, as Table 2 shows.

Table 2 Difference Between FY91 Collections ¹ and HJR 24 Estimate (Millions)			
	General Fund	SEA	Total
Income Tax	\$ (9.3)	\$ (8.2)	\$ (17.5)
40 Mill Levy		(6.3)	(6.3)
Federal Mineral Royalties		(3.5)	(3.5)
Corporation Tax	(2.6)	(1.4)	(4.0)
Other	<u>3.3</u>	<u>(3.4)</u>	<u>(0.1)</u>
Total	\$ (8.6)	\$ (22.8)	\$ (31.4)
¹ Adjusted for late payments (\$6.6 million in 40 mill levy and \$3.5 million in corporation tax revenue)			

The income tax shortfall was from taxes paid on non-wage and salary income (i.e. capital gains, interest and dividends, rents and royalties), commonly called estimated taxes. While taxes on wages and salaries are withheld and paid throughout the year, estimated taxes on non-wage and salary income are paid one to three times a year. The 40 mill levy revenue shortfall was due to property tax delinquencies and estimating oversights. Lower oil prices impacted federal mineral royalty collections.

Executive Budget Revisions

In the Executive Budget, general fund and SEA revenue estimates for the 1993 biennium are reduced by \$50.3 million or 2.9 percent below the HJR 24 revenue estimate. Lower personal income taxes account for over 75 percent of the total shortfall. OBPP assumes that the fiscal 1991 shortfall in estimated tax collections will continue throughout the 1993 biennium. The following table shows the components of the OBPP revised revenue estimate.

REVENUE ESTIMATES, 1993 BIENNIUM

Table 3
OBPP Revenue Estimate Revisions, FY92-93
(Millions)

	General Fund	SEA ¹	Total
Income Tax	(\$27.2)	(\$10.8)	(\$38.0)
Oil Severance	(3.0)		(3.0)
Interest earnings	(14.4)		(14.4)
Lottery		(4.8)	(4.8)
Other Adjustments	<u>5.9</u>	<u>4.0</u>	<u>9.9</u>
Total	(38.7)	(11.6)	(\$50.3)
¹ Current law revenue estimate; does not include \$4.5 million proposed reallocation of timber sale revenue			

QUARTERLY ESTIMATED TAX PAYMENTS

Current Law

Under current Montana law, taxpayers receiving more than 50 percent of their total income from non-wage and salary income (i.e. capital gains; rents, royalties, and partnership income; interest and dividend income) are required to make two annual **estimated tax payments** during each tax year (one in April and one in October). However, since there is no penalty for failure to make these payments, some taxpayers make payments in December of the taxable year and by April 15 of the following tax year. In contrast, federal law requires taxpayers receiving this type of payment to make quarterly estimated tax payments within a taxable year and imposes penalties for failure to pay 25 percent of total liability in each quarter. Both federal and state law requires that employers withhold income taxes from wage and salary income at the time of payment (weekly, biweekly, monthly, etc.).

The 1991 legislature enacted a bill (House Bill 959) that requires taxpayers who apply for an extension of time for filing an individual income tax return to pay 95 percent of the current year tax liability or 100 percent of the previous year tax liability at the time of filing. The act is effective for tax years after December 31, 1990. Prior to this act, there was no penalty for failing to pay the previous year's tax liability by April 15; taxpayers were only required to pay interest on the outstanding balance accrued during the extension period. The Department of Revenue (DOR) estimates that this bill will "accelerate" payment of \$11 million of income tax collections into fiscal 1992. It assumes a portion of these collections will be from estimated taxes. The estimated \$11 million additional revenue that will be generated by House Bill 959 has been included in **both** the legislative and revised executive revenue estimates.

Proposed Quarterly Payments

The Revenue Oversight Committee (ROC) has discussed introducing a bill to require quarterly payment of estimated

taxes. Based on the assumptions outlined below, fiscal 1992 income tax collections would increase by \$29.4 million¹ if quarterly payment of estimated income taxes were required, effective for tax year 1992 and beyond. The estimated \$29.4 million generated by quarterly estimated tax payments would be in addition to the amount anticipated from House Bill 959.

This estimate is based on the provisions contained in Senate Bill 461 as it died in a free conference committee of the 52nd Legislature. Under these provisions, any taxpayer with a tax liability (less credits and withholding payments) greater than \$500 would be required to file quarterly estimated tax payments. However, if more than two-thirds of the taxpayer's income were net farm income, the individual would not be required to file quarterly returns.

The estimate is based on the following assumptions:

1) all taxpayers affected by Senate Bill 226 (retirement bill) would be required to file estimated tax payments. If a withholding option were offered by PERS or TRS, then the impact of accelerated estimated taxes would be reduced to the extent of the withholding. However, additional withholding taxes would be received, offsetting the loss in accelerated estimated taxes.

2) the bill would specify or DOR would adopt rules requiring equal quarterly payments of estimated taxes. While the above estimate is based on the assumption of four equal payments, the total estimated amount of accelerated payments may not be received in the anticipated fiscal year if the bill or DOR's rules did not address this issue. If the bill were to be effective beginning in tax year 1993, equal

¹LFA, OBPP, and DOR staff have agreed on this base year estimate. The growth rates for non-wage and salary income from this base to tax year 1992/1993 adopted by ROC will determine the anticipated revenue collections during the 1993 biennium.

QUARTERLY ESTIMATED TAX PAYMENTS

payments would have to be received in April and June in order to realize the total anticipated revenue during the 1993 biennium.

Effective Date

DOR has recommended that any quarterly estimated tax payment proposal be effective beginning in tax year 1993, with the first payment due in April 1993. This delayed effective date would give the department time to adopt rules and to notify taxpayers in regularly-scheduled publications.

The biennial fiscal impact of requiring quarterly estimated payments in calendar 1993 would be the same as enacting it

for calendar 1992, if no growth in non-wage and salary income were assumed. If the proposal were effective beginning in tax year 1992, the additional revenue would be received in April and June of 1992 (fiscal 1992). If the proposal is effective beginning in tax year 1993, the additional revenue would be received in April and June of 1993 (fiscal 1993). With a calendar 1993 effective date, total anticipated revenue may not be received in fiscal 1993 if a significant number of taxpayers do not comply in a timely manner with the new law. Any substantial shortfall from this revenue source could impact the state's ability to repay fiscal 1993 Tax and Revenue Anticipation Notes (TRANS) and maintain a balanced budget.

REALLOCATION OF EXISTING REVENUE SOURCES

Additional Revenue for General Fund

Revenue from several existing revenue sources could be reallocated statutorily, increasing the amount deposited in the general fund. This reallocation would, however, impact the programs and local jurisdictions currently receiving the revenue. Following is a discussion of the impact on the general fund and currently-funded programs of reallocating revenue from several major revenue sources.

Coal Severance Tax

Under current law, coal severance tax collections are allocated among fourteen

different accounts. While the constitution requires that 50 percent of total collections be deposited in the permanent trust fund, the remainder is statutorily allocated. Table 1 shows the percentage of total collections allocated to each account and anticipated receipts during the 1993 biennium, based on HJR 24 revenue estimates. The table also shows the amount that the general fund would receive if the portions allocated to all accounts except the trust, public school equalization, and debt service were eliminated, effective January 1992. The general fund would receive \$12.8 million additional revenue during the 1993 biennium under this reallocation.

Table 1
Reallocation of Coal Severance Tax
(Millions)

	Current Law			Reallocation*			Difference	
	%	FY92	FY93	%	FY92	FY93	FY92	FY93
General fund	15.39	\$5.939	\$5.913	37.65	\$10.233	\$14.465	\$4.294	\$8.552
Agriculture acct.	0.76	.293	.292	0.00	.147	0.000	(.146)	(.292)
Public school equalization	11.40	4.399	4.380	11.40	4.399	4.380	0.000	0.000
State library	0.38	.147	.146	0.00	.074	0.000	(.073)	(.146)
Highway reconstruction	12.00	4.630	4.610	0.00	2.315	0.000	(2.315)	(4.610)
Conservation districts	0.19	.073	.073	0.00	.036	0.000	(.037)	(.073)
County land planning	0.38	.147	.146	0.00	.074	0.000	(.073)	(.146)
Local impact	6.65	2.566	2.555	0.00	1.283	0.000	(1.283)	(2.555)
Renewable resource bond	0.475	.183	.182	0.475	.183	.182	0.000	0.000
Water development bond	0.475	.183	.182	0.475	.183	.182	0.000	0.000
Arts protection trust	0.6335	.244	.243	0.00	.122	0.000	(.122)	(.243)
Fish, Wildlife & Parks	1.2665	.489	.487	0.00	.244	0.000	(.245)	(.487)
Permanent trust	50.00	18.793	18.744	50.00	18.793	18.744	0.000	0.000
Debt service	0.00	.501	.436	0.00	.501	.436	0.000	0.000
Total	100.00	\$38.587	\$38.389	100.00	\$38.587	\$38.389	0.000	0.000

*Effective 1/30/92

REALLOCATION OF EXISTING REVENUE SOURCES

Following is a summary of the programs currently receiving these funds:

Montana Growth Through Agriculture Act - These funds are used for administrative costs of the Agriculture Development Council (which is administratively attached to the Department of Agriculture) and for investments, loans, and grants for agricultural development projects. The 1991 legislature appropriated \$196,513 for administrative expenses (of which \$46,761 has been expended to date), and \$420,665 is statutorily appropriated (of which \$77,850 in grants and \$100,000 in loans is obligated). The fiscal 1991 ending balance in the account was \$611,519 and long term notes and loan obligations currently total \$496,755.

Public school equalization - These funds are deposited in the school equalization account (SEA) and are used to fund the foundation schedules and guaranteed tax base payments to local school districts.

State library - These funds are passed through to local libraries and used for participation costs in regional and national networking. In the 1993 biennium, \$148,168 of these funds are appropriated for network operating costs and equipment and \$169,194 for pass-through grants. Coal tax funds comprise 17.5 percent of total state funds appropriated for pass-through grants to local libraries in the 1993 biennium.

Highway reconstruction trust - These funds, which are used for state-funded highway projects, comprise 3 percent of the anticipated 1993 biennium revenue in the combined highways state special revenue accounts. The Executive Budget proposes to divert this revenue to the general fund in fiscal 1993. This would reduce the anticipated fiscal 1993 ending fund balance in the highway account from \$27.9 million to \$23.3 million.

Conservation districts - The Department of Natural Resources and Conservation (DNRC) grants these funds to local conservation districts for projects that result in the conservation and improvement of soil and water resources.

County land planning - The Department of Commerce distributes these funds to

local governments for land planning purposes.

Local impact - The Coal Board (which is administratively attached to the Department of Commerce) uses these funds for its administrative costs and for grants to local governments impacted by coal development. During the 1987 biennium, the legislature reallocated \$1.7 million in local impact funds to the general fund. The Executive Budget recommends transferring \$2.0 million of these funds to the general fund during the 1993 biennium. This will require a statutory change, since current law requires unexpended funds to be transferred to the SEA at the end of the biennium. Through November, the Coal Board had granted \$1.4 million of its 1993 biennium funds.

Renewable resources/water development bonds - These funds are deposited in separate debt service accounts as one of the revenue sources for payment of renewable resource and water development bonds issued by DNRC. The legislature authorizes loans to public and private entities funded with the bond proceeds. Bond covenants contain two restrictions concerning these debt service accounts: 1) the account must maintain a cash balance equal to the next year's debt service payment; and 2) the coal tax allocation is pledged as a revenue source to retire the bonds. Excess revenues in the sinking fund accounts not needed for debt service are used for DNRC administrative costs and grants.

Arts protection trust - These funds are placed in a trust dedicated to the protection of works of art in the state capitol and other cultural and aesthetic projects. The current trust principal is \$6.3 million. Interest earned on the trust is used for cultural and aesthetic grants and the Montana Arts Council's costs of evaluating and administering grants (\$144,549 in the 1993 biennium). The 1991 legislature awarded 101 grants from this account (totalling \$1.3 million). Through November, \$1.0 million of these grant funds had been committed.

Fish, Wildlife, and Parks - For the 1993 biennium, these funds are appropriated to the Department of Fish, Wildlife and Parks for the development, operation, and maintenance of state

REALLOCATION OF EXISTING REVENUE SOURCES

park and the preservation of historical sites within the park system. Previously, these funds were deposited in a trust fund, with 2/3 of the interest allocated for state parks. These funds comprise 19.9 percent of the 1993 biennium long range planning appropriation for park capital projects and 6.4 percent of the Parks Division total 1993 biennium appropriation. The department also is appropriated \$1.6 million of interest from the trust corpus for the biennium for development, operation, and maintenance of parks.

Permanent trust - Article IX, Section 5 requires that 50 percent of all coal severance tax revenue be deposited in a permanent trust fund and that the principal of the trust "shall forever remain inviolate unless appropriated by a three-fourths vote of each house." By statute, interest on this trust is distributed 85 percent to the general fund and 15 percent to the school equalization account.

Accommodations Tax

Under current law, the proceeds of the 4 percent accommodation tax are allocated as follows after a portion (equal to 4

percent of state agencies' total expenditure for in-state lodging) is deposited in the general fund: 1) 0.98 percent to the Montana Historical Society for installation or maintenance of roadside historical signs and historic sites. At least \$10,000 per year must be spent for Indian historical markers. The Society plans to spend these funds for a Native American and other signs coordinator, maintenance of the Old Governor's Mansion, and for sign construction; 2) 2.45 percent to the university system for the Montana travel research program; 3) 70.95 percent to the Department of Commerce for tourism promotion and promotion of the state as a location for motion pictures and television commercials; 4) 23.62 percent to the local nonprofit tourism corporations for promotion of local areas; and 5) 2 percent to Department of Revenue for administrative costs related to collection of the tax.

Table 2 shows the impact on these programs if a portion of the total collections were allocated to the general fund, effective January 30, 1992.

Table 2
Reallocation of Accommodations Tax
(Millions)

	Current Law			Reallocation ¹			Difference	
	%	FY92	FY93	%	FY92	FY93	FY92	FY93
Montana Historical Society	0.98	\$.059	\$.061	0.98	\$.059	\$.061	0.000	0.000
University System	2.45	.147	.153	2.45	.147	.153	0.000	0.000
Commerce	70.95	4.254	4.436	70.95	4.254	4.436	0.000	0.000
Local tourism	23.62	1.416	1.477	0.00	0.000	0.000	(1.416)	(1.477)
General fund	0.00	0.000	0.000	23.62	1.416	1.477	1.416	1.477
DOR admin	<u>2.0</u>	<u>.120</u>	<u>.125</u>	<u>2.0</u>	<u>.120</u>	<u>.125</u>	<u>0.000</u>	<u>0.000</u>
Total	100.00	\$5.996	\$6.252	100.00	\$5.996	\$6.252	\$0.000	\$0.000

¹ Effective 1/30/92

REALLOCATION OF EXISTING REVENUE SOURCES

Video Gaming Tax

Under current law, the Department of Justice collects a 15 percent tax on the net income of each licensed video gambling machine. One-third of the collections is deposited in the general

fund, with the remainder distributed to local governments. Table 3 shows the estimated distributions under current law and the estimated distributions if 2/3 of total revenue were deposited in the general fund, beginning in fiscal 1993.

Table 3
Reallocation of Video Gaming Tax
(Millions)

	<u>Current Law</u>		<u>Reallocation</u>		<u>Difference</u>
	%	FY93	%	FY93	FY93
General Fund	33.3	\$7.517	66.7	15.033	\$7.516
Local Government	<u>66.7</u>	<u>15.033</u>	<u>33.3</u>	<u>7.517</u>	<u>(7.516)</u>
Total	100.0	\$22.550	100.0	\$22.550	\$0.0

Liquor License Taxes

Under current law, the Department of Revenue collects a 16 percent liquor excise tax and a 10 percent license tax. The excise tax is deposited in the general fund, while license tax proceeds are distributed 65.5 percent to the

Department of Corrections and Human Services and 34.5 percent to local governments for alcohol treatment programs. Table 4 shows the 1993 biennium estimated liquor license tax distribution under current law and if the allocation to local governments were eliminated beginning in fiscal 1993.

Table 4
Reallocation of Liquor License Tax
(Millions)

	<u>Current Law</u>		<u>Reallocation</u>		<u>Difference</u>
	%	FY93	%	FY93	FY93
General Fund	0.0	\$0.000	34.5	1.227	\$1.227
Corrections & Human Services	65.5	2.330	65.5	2.330	0.000
Local Government	<u>34.5</u>	<u>1.227</u>	<u>0.0</u>	<u>0.000</u>	<u>(1.227)</u>
Total	100.0	\$3.557	100.0	\$3.557	\$0.000

Financial Institutions Tax

Under the current law, the corporation tax paid by financial institutions is distributed 80 percent to the local governments and schools and 20 percent to state accounts. This allocation began in 1979, when the legislature

repealed the property tax on bank stock and moneyed capital and allocated a portion of the corporation tax to local taxing jurisdictions to replace the lost revenue. Table 5 shows the estimated distributions under current law and the distribution if the allocation to local taxing jurisdictions were eliminated, effective in fiscal 1993.

REALLOCATION OF EXISTING REVENUE SOURCES

Table 5
Reallocation of Financial Institutions Tax
(Millions)

	Current Law		Reallocation		Difference
	%	FY93	%	FY93	
General Fund	12.2	\$.663	61.0	\$3.315	\$2.652
SEA	5.7	.310	28.5	1.549	1.239
Debt Service	2.1	.114	10.5	.571	.457
Local Governments	<u>80.0</u>	<u>4.348</u>	<u>0.0</u>	<u>0.000</u>	<u>(4.348)</u>
Total	100.0	\$5.435	100.0	\$5.435	\$0.000

State Timber Sales

The Executive Budget proposes that the proceeds of timber sales on state lands be deposited in the interest and income account, rather than in the common school trust.

Under current law, timber sale income is deposited in the common school trust. This constitutional trust receives all royalties and other proceeds from state lands granted to the state under the federal enabling act. Ninety-five percent of the interest from this trust is distributed to the school equalization (SEA) and 5 percent of the interest is retained in the trust.

The executive proposal would deposit the timber sale income into the interest and income account, as are lease payments from state lands. Ninety-five percent of the revenue in the interest and income account is distributed to the SEA, with the remaining 5 percent of the interest and income deposited in the common school trust. A 1967 amendment to the federal enabling act allows "proceeds from the sale of timber and other crops" to be spent for the "maintenance and support of...schools". Montana law will need to be amended to accomplish this change.

The Executive Budget anticipates that an additional \$4.5 million will be deposited in the SEA during the 1993 biennium as a result of depositing timber sale income in a spendable account rather than in a nonexpendable trust.

Resource Indemnity Trust Interest

Current statutes, which require that the interest earned on the constitutional Resource Indemnity Trust (RIT) be used to "improve the total environment and rectify damage thereto", allocate the trust interest earnings as follows:

- 1) An amount not to exceed \$175,000 to the environmental contingency fund;
- 2) Beginning in fiscal 1992, an amount not to exceed \$50,000 to the oil and gas mitigation account;
- 3) Of the remainder:
 - a) 30 percent for water development;
 - b) 46 percent for reclamation and development grants and related administration;
 - c) 12 percent for hazardous waste and superfund activities;
 - d) 4 percent for environmental quality protection; and
 - e) 8 percent for renewable resource grants and loans and related administration.

During the 1993 biennium, total RIT interest earnings were expected to be \$17.0 million, based on HJR 24 revenue estimates. Table 6 shows anticipated revenue into the five accounts receiving RIT interest and the 1991 legislature's appropriations from each account. Since the interest is allocated statutorily, the legislature could amend statutes to allocate a portion or all of it to the general fund.

REALLOCATION OF EXISTING REVENUE SOURCES

Table 6
Resource Indemnity Trust Interest Accounts
1993 Biennium

	Environmental Contingency	Reclamation/ Development	Water Development	Renewable Resource	Hazardous Waste/CERCLA	EQPF	Oil/Gas Mitigation
Beginning Balance	\$436,362	\$576,023	\$674,062	\$0	\$749,198	\$828,358	\$71,272
Revenues							
RIT Interest	175,000	7,733,095	5,043,323	1,344,886	2,017,330	672,444	50,000
Coal Tax			365,778	365,778			
Loan Repayments			950,670	129,870			
Bond Proceeds Interest			50,000				
Administrative Fees			935,400		126,358	2,139,031	16,000
Project Revenues/Income/Savings							
TOTAL REVENUES	175,000	7,733,095	7,345,171	\$1,840,534	\$2,143,688	\$2,811,475	66,000
TOTAL FUNDS AVAILABLE	<u>\$611,362</u>	<u>\$8,309,118</u>	<u>\$8,019,233</u>	<u>\$1,840,534</u>	<u>\$2,892,886</u>	<u>\$3,639,833</u>	<u>137,272</u>
Appropriations							
Debt Service	**		\$1,229,694	\$380,231			**
House Bill 2			4,459,138	436,114			
State Lands		3,397,758					
Health		1,675,540			1,867,906	2,606,097	
Water Courts			977,425				
State Library		<u>175,472</u>		<u>198,273</u>			
Total House Bill 2					\$1,867,906	\$2,606,097	
Reserved for Water Storage - SB 313*		\$5,248,770	\$5,436,563	\$634,387			
Ending Balance/Avail for Grants		\$3,060,348	\$338,244	\$206,479	\$1,024,980	\$1,033,736	
House Bill 6			\$1,014,732	\$619,437			
House Bill 8			889,812	1,276,966			
Total Grants		<u>4,160,773</u>					
		\$4,160,773	\$889,812	\$1,276,966	\$0	\$0	
TOTAL APPROPRIATIONS	**	\$9,409,543	<u>\$7,894,313</u>	<u>\$2,498,063</u>	<u>\$1,867,906</u>	<u>\$2,606,097</u>	**
ENDING FUND BALANCE	611,362	(\$1,100,425)	\$124,920	(\$657,529)	\$1,024,980	\$1,033,736	137,272

*Senate Bill 313 reserves 25 percent of the total amount available for grants from the Water Development and Renewable Resource accounts for water storage project to be spent not prior to fiscal 1994.

**Statutorily appropriated

REVENUE INCREASES

Estimated Fiscal Impact

In the "Budget Balancing Options" section the estimated fiscal impact on the general fund and school equalization account (SEA) of increasing some tax rates or eliminating tax credits for major revenue sources are shown. Following is a summary of the assumptions used in preparing these estimates.

HJR 24

In accordance with section 5-18-107, MCA, the economic assumptions contained in House Joint Resolution 24 (HJR 24) were used in preparing these estimates. The Revenue Oversight Committee (ROC) is meeting January 3, 1992, to consider amendments to some of the assumptions contained in HJR 24. The estimated revenue generated by the indicated tax increases will change, based on ROC's amendments. In particular, revised assumptions affecting personal income and oil prices will probably lower anticipated collections from a surtax or oil severance tax increase.

Effective Date

The effective date of any tax change determines how much increased revenue would be received during a biennium. In the summaries below, the effective date used in preparing each estimate is shown.

Distribution

The distribution of each revenue source under current law is used to determine the amount of increased revenue that would be deposited in the general fund and SEA. Additional revenue would be deposited in the general fund and SEA if total collections from the increase were "earmarked" to these accounts. However, the Montana constitution requires that 50 percent of all coal severance tax collections be deposited in the permanent trust, so only half of any collections due to an increased tax rate could be deposited in the general fund.

Various Tax Sources

Following are estimated 1993 biennium collections from increased tax rates for the major revenue sources for the general fund and SEA.

Personal income tax surtax

Surtaxes on personal income tax have been imposed during 17 of the last 25 years, as Table 1 shows. Based on HJR 24 assumptions and an effective date of tax year 1992 and beyond, an additional \$4.2 million would be collected during the 1993 biennium from a 1 percent surtax. All of the collections would be deposited in the general fund and SEA.

Table 1
Surtax Imposed on Personal Income Tax

TAX YEAR	RATE (%)
1967-1968	5
1969-1970	10
1971-1972	40
1973-1980	10
1987-1988	10
1990	5

Corporation tax surtax

A 5 percent surtax was imposed on corporation tax liability in tax year 1990. Assuming an effective date of tax year 1992 and beyond, \$0.8 million would be collected during the 1993 biennium from a 1 percent surtax. All of the collections (minus 80 percent of the collections from financial institutions) are deposited in the general fund and SEA.

Sales tax

Since the Department of Revenue estimates that implementation of a sales tax would take approximately 18 months, no revenue would be realized within the 1993 biennium from a sales tax enacted during 1992.

Statewide mill levy

Currently, 95 mills are levied on the statewide taxable value for support of the school equalization program and 6 mills for the support of the university system. Assuming an effective date of January 1, 1992, an additional 1 mill levied against the statewide taxable

REVENUE INCREASES

value would produce \$1.6 million during the 1993 biennium. This estimate assumes that the increased collections would be deposited in the general fund or SEA.

Alcohol taxes

The current liquor excise tax rate is 16 percent of the retail selling price. This tax rate has not been amended since 1958. If this tax were increased to 17 percent effective January 1, 1992, an additional \$0.5 million would be collected during the 1993 biennium, all of which would be deposited in the general fund.

The current beer tax is \$4.30 per barrel (31 gallons). This tax rate has not been changed since 1985. If this tax were increased to \$5.30 per barrel effective January 1, 1992, an additional \$1.0 million would be collected during the 1993 biennium, \$0.4 million (41.86 percent) of which would be deposited in the general fund.

The current wine tax is \$0.27 per liter. This rate has not been changed since 1985. If this tax were increased to \$0.29 per liter effective January 1, 1992, an additional \$0.2 million would be collected during the 1993 biennium, \$0.1 million (59.25 percent) of which would be deposited in the general fund.

Tobacco products

The current tax on cigarettes is \$0.18 per pack of 20 cigarettes. The rate was increased from \$0.16 to \$0.18 per pack

by the 1989 legislature. If this tax were increased to \$0.19 per pack effective January 1, 1992, an additional \$0.9 million would be collected during the 1993 biennium, \$0.6 million (70.89 percent) of which would be deposited in the general fund.

The current tax on tobacco products other than cigarettes is 12.5 percent of the wholesale price. This rate has not been changed since 1969, when the tax was enacted. If this tax were increased to 13.5 percent of wholesale price effective January 1, 1992, an additional \$0.1 million would be collected during the 1993 biennium, all of which would be deposited in the general fund.

Video gaming tax

A 15 percent tax is currently collected on the net income of each licensed video gambling machine. This tax rate was established in 1987. If the tax rate were increased to 16 percent of net income effective January 1, 1992, an additional \$2.2 million would be collected during the 1993 biennium, one-third (\$0.7 million) of which would be deposited in the general fund.

Natural resource taxes

Table 2 shows: 1) the current natural resource severance tax rates and when that rate was last amended; and 2) the increased collections during the 1993 biennium if the tax rates were increased as shown, effective January 1, 1992. The table also shows the amount that would be deposited in the general fund and SEA under the current law distribution.

REVENUE INCREASES

Table 2
Natural Resource Severance Taxes

Tax	Current Rate	Last Amended	Increased Rate	Add'l 1993 Collections (Millions)	GF/SEA Portion (Millions)
Coal severance	15% of contract sales price	FY92	16% of CSP	\$3.9	\$1.0
Oil severance	5% of gross taxable value	FY86	6% of gross taxable value	5.7	5.7
Natural gas severance tax	2.65% of gross taxable value	FY76	3.65% of gross taxable value	1.0	1.0
Metalliferous mine tax	1.6-1.8% of gross value over \$250,000	FY90	2.6-2.8% of gross value over \$250,000	6.4	3.7

Insurance tax credit

Under current law, all insurance companies operating in Montana are assessed a portion of the insolvency of defaulting insurance companies. Insurers can then claim a credit on their insurance premium tax return equal to 20 percent of the assessment over a five-year period. In early 1988, Life of Montana was declared to have an insolvency of approximately \$36 million. Insurers began claiming credits for their portion of the assessment in fiscal 1990 and are anticipated to continue claiming credits through fiscal 1998. The total cost to the general fund over the eight-year period will be \$36 million. In addition, several other insurers have been declared insolvent in the past three years, increasing the total assessment paid by insurers and the resulting credit that will be claimed. Eliminating this credit effective for tax year 1992 and beyond would increase general fund collections by an estimated \$7.0 million during the 1993 biennium, all of which would be deposited in the general fund.

Capital company credit

Since 1983, the legislature has authorized \$8 million of tax credits

against the personal income tax, corporate income tax, and coal severance tax for investment in Montana capital companies. As of January 1, 1991, \$2.0 million of these credits had not yet been claimed. In House Bill 863, passed by the 1991 legislature, the remaining tax credits were reserved for investors in the Montana Small Business Investment Capital Company (MSBICC) to encourage sufficient private investment capital to enable the MSBICC to become licensed by the U.S. Small Business Administration. The credits cannot be claimed until: 1) the Department of Commerce selects the MSBICC; and 2) the selected MSBICC is licensed by the federal agency. Commerce will not select the MSBICC until after the January 1, 1992, application deadline.

Eliminating the tax credit for investment in MSBICC effective on passage and approval would increase general fund revenues and SEA revenues by approximately \$2.0 million. However, it is difficult to predict when the savings would occur since investors can claim the credit for up to 15 years after the investment occurs.

UNIVERSITY SYSTEM TUITION

Fiscal 1992 Tuition Surcharge

At its November 1991 meeting, the Board of Regents voted to meet the fiscal 1992 budget reduction imposed in Executive Order 28-91 with a combination of expenditure reductions (\$2.1 million) and a one-time surcharge of \$15 per semester credit hour (\$210 and \$180 per full-time student at the university units and the vocational-technical centers, respectively). This tuition surcharge, which would be in effect for the remainder of fiscal 1992, was anticipated to generate \$4.7 million. No action was taken concerning tuition

in fiscal 1993. At its December meeting, the board voted to delay implementation of the surcharge until January 31, 1992, pending legislative action.

Table 1 shows average tuition and fee charges for in-state and out-of-state full-time students in Montana in fiscal 1991 and fiscal 1992. Two columns are shown for fiscal 1992: with and without the surcharge. The table also shows percentage increases in tuition and fees from fiscal 1991 to fiscal 1992, with and without the surcharge.

Table 1
Average Costs for Full-Time Student
Fiscal 1991 - Fiscal 1992

----- In-State Student -----					
<u>Unit</u>	<u>Fiscal 1991</u>	<u>W/O Surcharge Fiscal 1992</u>	<u>Percent Increase FY91 - FY92</u>	<u>With Surcharge Fiscal 1992</u>	<u>% Increase FY 91 to Surcharge</u>
MSU	\$1,390	\$1,543	11.0%	\$1,753	26.2%
UM	1,474	1,582	7.3%	1,792	21.6%
EMC	1,389	1,504	8.3%	1,714	23.4%
NMC	1,272	1,440	13.2%	1,650	29.7%
WMCUM	1,274	1,373	7.8%	1,583	24.3%
MCMST	1,306	1,405	7.6%	1,615	23.7%
VO-TECHS	\$876	\$958	9.4%	\$1,138	29.9%
----- Out-of-State Student -----					
<u>Unit</u>	<u>Fiscal 1991</u>	<u>W/O Surcharge Fiscal 1992</u>	<u>Percent Increase FY91 - FY92</u>	<u>With Surcharge Fiscal 1992</u>	<u>% Increase FY 91 to Surcharge</u>
MSU	\$3,463	\$3,994	15.3%	\$4,204	21.4%
UM	3,547	4,033	13.7%	4,243	19.6%
EMC	3,072	3,565	16.0%	3,775	22.9%
NMC	2,955	3,501	18.5%	3,711	25.6%
WMCUM	2,957	3,434	16.1%	3,644	23.2%
MCMST	3,379	3,856	14.1%	4,066	20.3%
VO-TECHS	\$1,836	\$1,966	7.1%	\$2,146	16.9%

UNIVERSITY SYSTEM TUITION

Peer Comparisons

Table 2 compares tuition and fees for both in-state and out-of-state students

at the Montana university units with peer levels in fiscal 1992, both with and without the tuition surcharge.

Table 2
Comparison of Montana Tuition and Fees to Peers
With and Without Tuition Surcharge
Fiscal 1992

	----- In-State Students -----		-- Out-of-State Students --	
	W/O Surcharge	With Surcharge	W/O Surcharge	With Surcharge
	<u>Fiscal 1992</u>	<u>Fiscal 1992</u>	<u>Fiscal 1992</u>	<u>Fiscal 1992</u>
MSU - UM				

Peer Units	\$1,640	\$1,640	\$4,970	\$4,970
MSU	\$1,543	\$1,753	\$3,994	\$4,204
MSU % of Peers	94.1%	106.9%	80.4%	84.6%
UM	\$1,582	\$1,792	\$4,033	\$4,243
UM % of Peers	96.5%	109.3%	81.1%	85.4%
EMC				

Peer Units	\$1,770	\$1,770	\$4,934	\$4,934
EMC	\$1,504	\$1,714	\$3,565	\$3,775
EMC % of Peers	85.0%	96.8%	72.3%	76.5%
NMC				

Peer Units	\$1,757	\$1,757	\$4,594	\$4,594
NMC	\$1,440	\$1,650	\$3,501	\$3,711
NMC % of Peers	82.0%	93.9%	76.2%	80.8%
WMCUM				

Peer Units	\$1,772	\$1,772	\$3,684	\$3,684
WMCUM	\$1,373	\$1,583	\$3,434	\$3,644
WMCUM % of Peers	77.5%	89.3%	93.2%	98.9%
MCMST				

Peer Units	\$2,575	\$2,575	\$6,497	\$6,497
MCMST	\$1,405	\$1,615	\$3,856	\$4,066
MCMST % of Peers	54.6%	62.7%	59.4%	62.6%

As shown in the table, tuition at the Montana units for both in-state and out-of-state students is below the peers in all cases, with the exception of in-state tuition at the two universities

after the tuition surcharge is added. The table also shows that in-state tuition in Montana is closer to peer levels than is out-of-state tuition.

UNIVERSITY SYSTEM TUITION

Tuition Revenue

Table 3 shows the estimated annual revenue that would be generated during the 1993 biennium by various tuition increases. These options and estimates were prepared by the Commissioner of Higher Education (CHE).

The first option is a \$7.50 per semester credit hour surcharge for students at both the university units and the vo-tech centers, resulting in additional tuition of \$105 per year per full-time student at university units and \$90 at vo-tech centers. The second option incorporates a \$10 per semester credit hour increase at the university units

and a \$15 per semester credit hour increase at the vo-techs, resulting in tuition increases of \$140 and \$180 per year, respectively. The third option, which was adopted by the Board of Regents for the remainder of fiscal 1992, adds an additional \$15 per semester credit hour charge for all students, resulting in tuition increases of \$210 and \$180 for full-time students.

The CHE options assume the same yearly increase per student in fiscal 1993 as in fiscal 1992. Consequently, the additional semester credit hour increase for full-time students in fiscal 1993 would be \$7.50 per hour, under option 3, rather than \$15 per hour.

Table 3
Annual Additional Tuition Revenue
Fiscal 1992 and 1993

	Option 1 <u>\$7.50/\$7.50</u>	Option 2 <u>\$10/\$15</u>	Option 3 <u>\$15/\$15</u>
Annual Additional Revenue	\$2,336,500	\$3,255,000	\$4,673,000

TRUST FUNDS-INTEREST AND BALANCES

Trust Fund Balances

Montana has a number of constitutional and statutory trusts that provide interest to fund current state government operations. While the legislature has spent the principal of the education trust and slowed the flow of revenue into the parks acquisition trust for several years, substantial balances remain.

Table 3 shows the history of the seven major trusts since fiscal 1973. Forecasted amounts are shown for fiscal 1992 and fiscal 1993. Following is a description of each trust and the income it generates.

Constitutional Trusts

Permanent Coal Tax Trust

Article IX, Section 5 requires that 50 percent of all coal severance tax revenue be deposited in a permanent trust fund and that the principal of the trust "shall forever remain inviolate unless appropriated by a three-fourths vote of each house."

Initiative 95, approved by voters in 1982, required that 25 percent of the revenue deposited in the trust after June 30, 1983, be placed in an in-state investment trust fund for investment in the Montana economy "with special emphasis on investments in new or expanding locally owned enterprises." The 1989 and 1991 legislature authorized

the Montana Science and Technology Alliance to use \$12.6 million from the in-state investment fund for investment in new and expanding technology-based Montana businesses and for research and development project loans granted by the Alliance. Senate Bill 26 passed by the 1991 legislature: 1) eliminated separate accounting for the in-state investment trust; and 2) instructed the Board of Investments to "endeavor to invest up to 25% of the permanent coal tax trust fund" in the Montana economy.

Coal tax revenue flowing into the permanent trust is also used to secure state bonds issued to finance water resource development projects and activities. Since 1981 when the legislature authorized this bonding program, \$32.7 million in water development projects throughout the state have been authorized with revenue from these bonds.

Under current law, the interest earned from the permanent trust is distributed 85% to the general fund and 15% to the school equalization account. The following table shows the impact on interest earnings if:

1) Option #1 - the flow of coal tax revenue into the trust were eliminated effective January 1992;

2) Option #2 - \$100 million of the principal of the trust were transferred to the general fund at the end of fiscal 1992.

Table 1
Interest Loss from Reducing Permanent Coal Trust Principal
(Millions)

	<u>Current Law</u>		<u>Option #1</u>		<u>Option #2</u>	
	FY92	FY93	FY92	FY93	FY92	FY93
General Fund	\$44.045	\$45.433	(\$.107)	(\$1.338)	\$0.000	(\$8.651)
School Equalization Account	7.773	8.018	(.019)	(.236)	0.000	(1.527)
Total	\$51.818	\$53.451	(\$.126)	(\$1.574)	\$0.000	(\$10.178)

TRUST FUNDS—INTEREST AND BALANCES

Common School Trust

Article X, Sections 2 and 3 require that all royalties and other proceeds received from school lands granted to the state under the federal enabling act must be deposited in the common school trust fund and "shall forever remain inviolate, guaranteed by the state against loss or diversion." Article X, Section 5 requires that 95 percent of the interest from this trust be used for school equalization, with the remaining 5 percent reinvested in the trust.

Resource Indemnity Trust

Article IX, Section 2 and Title 35, Chapter 38, MCA, requires that all collections from the resource indemnity tax on minerals be placed in a trust. The trust "shall forever remain inviolate" until the principal reaches \$100 million, at which point the tax may be spent. The trust is expected to reach \$100 million during the 1997 biennium.

The "Reallocation of Existing Revenues" section discusses the statutory allocation of interest earned on this trust.

Statutory Trusts

Education Trust

From fiscal 1976 through 1986, a portion of the revenue from coal severance tax was allocated to the education trust for the support of education. The legislature appropriated the corpus of this trust to the general fund and school equalization account during the period fiscal 1987 through 1990.

Parks Acquisition/Arts Protection Trusts

During most of the last 15 years, a portion of the coal severance tax has

been earmarked for the parks acquisition trust. During the late 1980's, the flow of revenue into this account was diverted to the general fund. However, the principal began to grow again in fiscal 1990. Prior to fiscal 1992, interest from this trust was statutorily allocated two-thirds for acquisition and operation of state parks and one-third to protection of works of art in the state capitol and other cultural and aesthetics projects.

The 1991 legislature split the principal of this trust into two separate trusts: a park acquisition trust and an arts protection trust. Beginning in fiscal 1992, 0.63356 percent of coal severance tax revenues is deposited in the arts protection trust, with the trust interest continuing to be used for protection of works of art and cultural projects. During the 1993 biennium, the coal tax revenue that would have flowed into the park acquisition trust (1.2665 percent) will be spent for maintenance of parks and historic sites, along with the interest from the trust. In the 1995 biennium, the coal tax revenue allocation will again be deposited in the trust.

The following table shows the interest loss to these programs if:

- 1) Option #1 - the coal tax revenue deposited in the arts protection trust were eliminated, effective January, 1992;
- 2) Option #2 - the arts protection trust principal were transferred to the general fund at the end of fiscal 1992; and
- 3) Option #3 - the parks trust principal were transferred to the general fund at the end of fiscal 1992.

TRUST FUNDS--INTEREST AND BALANCES

Table 2
Interest Loss from Reducing Parks Acquisition & Arts Protection Trust Principals
(Millions)

	<u>Option #1</u>		<u>Option #2</u>	<u>Option #3</u>
	FY92	FY93	FY93	FY93
Arts Protection Trust	(\$.001)	(\$.019)	(\$.671)	\$0.000
Parks Acquisition Trust	0.000	0.000	0.000	(1.279)
Total	(\$.001)	(\$.019)	(\$.671)	(\$1.279)

Noxious Weed Management Trust

Under current law, at least one-half of the collections from a 1.0 percent surcharge on the retail sale of pesticides is deposited in the Noxious Weed Management Trust. The remaining collections are spent for weed control grants. The interest earned on the

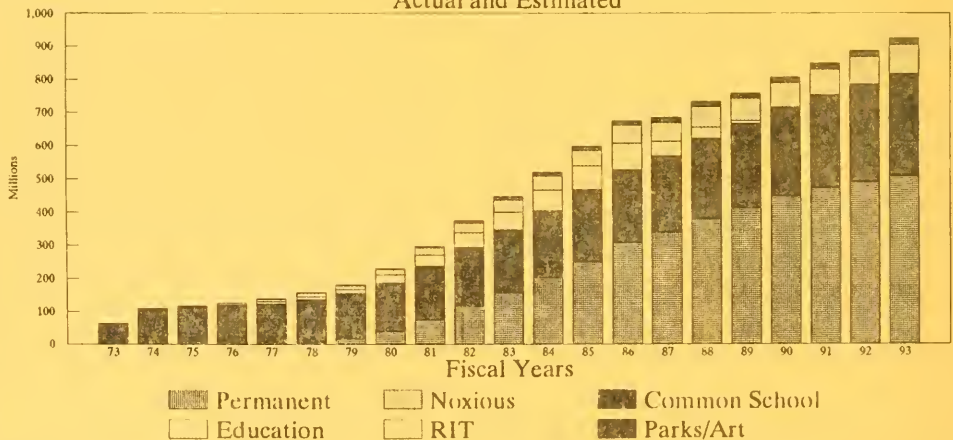
trust is retained in the trust. Once the principal of the trust reaches \$2.5 million, all herbicide surcharge collections and the interest earned on the trust can also be spent for weed control grants. The Department of Agriculture estimates that the trust will reach this cap in April 1992.

TRUST FUNDS--INTEREST AND BALANCES

Table 3
Trust Fund Balances

Fiscal Year	Permanent Coal Tax Trust Fund	Common School Trust Fund	Education Trust Fund	Resource Indemnity Trust Fund	Parks Acquisition Trust Fund	Arts Protection Trust Fund	Noxious Weed Trust Fund	Total Trust Funds
A 73	\$0	\$64,223,773	\$0	\$0	\$0	\$0	\$0	\$64,223,773
A 74	0	108,998,870	0	1,141,385	0	0	0	110,140,255
A 75	0	113,064,188	0	3,287,456	0	0	0	116,351,644
A 76	0	117,849,628	2,227,793	5,552,291	278,725	0	0	125,908,437
A 77	0	123,281,528	6,039,530	8,232,247	758,308	0	0	138,311,613
A 78	6,268,262	129,949,247	8,983,763	10,646,851	1,174,356	0	0	157,022,479
A 79	16,940,538	137,716,735	12,339,549	12,574,209	1,475,732	0	0	181,046,763
A 80	39,964,765	147,527,943	23,905,146	16,204,531	3,565,371	0	0	231,167,756
A 81	75,187,459	163,163,556	33,624,170	21,165,464	5,325,746	0	0	298,466,395
A 82	118,336,314	176,467,865	44,338,477	28,328,946	7,480,418	0	0	374,952,020
A 83	158,358,806	189,390,417	52,665,410	36,181,889	9,481,542	0	0	446,078,064
A 84	202,936,358	201,319,109	60,925,268	42,986,128	11,565,460	0	0	519,732,323
A 85	252,420,524	214,764,544	70,500,922	47,396,179	13,859,181	0	0	598,941,350
A 86	309,384,250	217,677,906	79,761,708	53,039,675	16,222,131	0	443,184	676,528,854
A 87	339,883,180	227,687,073	44,091,429	56,861,627	16,613,608	0	824,550	685,961,467
A 88	381,180,287	239,553,633	33,671,110	61,750,961	16,581,042	0	1,070,972	733,808,005
A 89	411,838,993	254,128,428	8,651,477	66,665,000	16,608,706	0	1,320,720	759,213,324
A 90	446,511,416	268,496,362	0	72,811,618	17,936,701	0	1,688,370	807,444,467
A 91	470,322,655	280,326,496	0	77,324,921	18,882,548	0	2,121,973	848,978,593
F 92	489,115,501	293,923,794	0	82,297,093	12,588,365	6,538,631	2,500,000	886,963,384
F 93	507,889,227	307,521,092	0	87,228,359	12,588,365	6,782,016	2,500,000	924,509,059

HISTORY OF TRUST FUND BALANCES
Actual and Estimated



NONTRUST FUND BALANCES

Previous Transfers

During the period 1986 through 1990, the legislature transferred \$12.0 million of cash balances from several nontrust accounts to the general fund and school equalization account (SEA) to help balance the budget. In addition, it transferred the corpus of the education trust to the general fund and SEA.

Table 1
Fund Balance Transfers, FY1986-90

	<u>Millions</u>
Social security account	\$2.0
Junk vehicle account	0.5
Capital Renov. bond proceeds	5.1
Local impact account	1.7
Alternative energy account	1.4
Montana Codes Annotated acct.	0.7
Crime Victims' account	0.6
Education trust	<u>79.8</u>
<u>Total</u>	<u>\$91.8</u>

Executive Budget Transfers

The Executive Budget proposes to transfer \$9.9 million of nontrust balances to the general fund during the 1993 biennium. Details on these proposed transfers are provided in summary page 12 and in the agency narratives (sections A through E).

Restrictions on Transfers

Several factors must be considered in evaluating whether a cash balance in an account can be transferred to the general fund:

1) Statutory or constitutional restrictions - In many cases, the use of funds in an account is restricted by Montana's constitution or laws or by federal law. Amendments to existing law or "super-majority" votes by each house may be necessary to transfer the funds to the general fund.

2) Appropriation of fund balances - Year-end fund balances may have already been appropriated for expenditure in subsequent years.

3) Cash v. fund balances - Fund balances may include noncash assets, such as inventory, fixed assets, and accounts receivable. Current cash balances provide a more realistic measure of funds available for transfer.

4) Cashflow considerations - Agencies may need to maintain a certain level of cash balance in an account to ensure sufficient cashflow to pay operating expenses for a program.

State Special Revenue Accounts

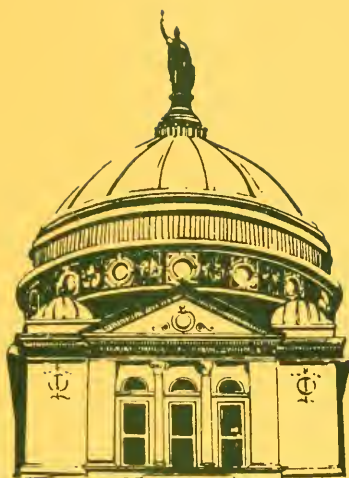
At the end of fiscal 1991, there were 282 state special revenue accounts with fund balances totalling \$195.5 million. Almost 90 percent of this total was in the 25 accounts listed in Table 2, which had ending fund balances of more than \$1.0 million. Following the table is a short description of each account and the statutory or constitutional restrictions governing it.

Table 2
Accounts with Fiscal 1991
Ending Fund Balances Greater Than \$1 Million

<u>Accounting Entity</u>	<u>Account Name</u>	<u>Administering Agency</u>	<u>Fiscal 1991 Balance</u>
02422	Highways Special Revenue	5401	\$108,079,161
02403	Public School Equalization	3501	8,474,086
02058	Petroleum Storage Tanks	5301	7,500,083
02168	Local Govt. Severance Tax-Oil	5801	6,774,952
02409	DFWP General License Account	5201	5,529,663
02425	Inspection & Control	5603	4,235,980
02435	Water Development	5706	2,974,446
02151	Wastewater GO Bonds	5706	2,503,517
02144	Wildlife Habitat	5201	2,116,871
02445	Local Impact	6501	1,977,625
02167	Local Govt. Severance Tax-Gas	5801	1,782,368
02402	Traffic & Safety Education	3501	1,708,145
02024	Rock Creek Mitigation	5706	1,636,647
02126	Rail Construction Loan	5401	1,523,422
02113	Upland Game Bird	5201	1,441,865
02074	Gambling License Fees	4110	1,300,667
02062	Airport Loans	6101	1,254,039
02458	Reclamation & Development	5706	1,244,876
02070	Hazardous Waste CERCLA	5301	1,228,274
02443	University Millage	5102	1,159,660
02427	Animal Health	5603	1,136,361
02162	Environmental Quality Protect.	5301	1,100,574
02052	Rangeland Improvement Loans	5706	1,088,476
02105	State 911 Program	6101	1,058,770
02040	Wheat & Barley Research	6201	<u>1,047,524</u>
TOTAL			\$169,878,052

Account Name	Restrictions
Highways Special Revenue	Montana's constitution (Article VIII, section 6) restricts the use of motor fuel and gross vehicle weight taxes deposited in the account to road construction and maintenance, highway safety, and tourism promotion. However, this revenue may be diverted for other uses by a 3/5 vote of the members of each house.
Public School Equalization	This account funds the school foundation program. It is currently in a deficit position and is anticipated to need a \$54 million general fund supplemental by the end of the 1993 biennium.
Petroleum Storage Tanks	Funds in this account are statutorily appropriated to pay for corrective action and damages caused by releases from petroleum storage tanks (75-11-313, MCA).
Local Government Severance Tax - Oil	Funds in this account are statutorily appropriated for allocation to local governments and schools.
DFWP General License Account	In order to expend federal Dingell-Johnson and Pittman-Robertson funds, Montana was required to pass legislation prohibiting diversion of license fees for any purpose other than the administration of the Department of Fish, Wildlife and Parks. (87-1-701 and 87-1-708, MCA)
Inspection & Control	Montana's constitution (Article XII, section 1) limits use of the revenue raised from special levies on livestock for disease and predator control, and livestock inspection, protection, research and promotion.
Water Development	Sections 85-1-604 through 606, MCA, restricts use of funds in this account to water development projects and activities.
Wastewater GO Bonds	Money in the account may be used only for loans, debt service, loan guarantees, and administration as listed in section 75-5-1107, MCA. Section 75-5-1108 statutorily appropriates the money for loans and debt service.
Wildlife Habitat	Revenue in this account is derived from hunting license fees, which must be used for DFWP programs, according to federal and state law (87-1-710, MCA). In addition, section 87-1-242, MCA, requires the money to be used exclusively to secure, develop, and maintain wildlife habitat.
Local Impact	Funds in this account are used for Coal Board administrative costs and grants to mitigate local impact of coal development (90-6-207(6), MCA). The unexpended fund balance must be deposited in the school equalization account at the end of each biennium (90-6-212(3), MCA).
Local Government Severance Tax - Gas	Funds in this account are statutorily appropriated for allocation to local governments and schools.
Traffic & Safety Education	All moneys in this account are distributed annually to school districts with traffic education programs, after deductions for administrative expenses (20-7-506, MCA).
Rock Creek Mitigation	These funds were given by the Bonneville Power Administration for mitigation of environmental impacts to Rock Creek.

Rail Construction Loans	Money in the account is "continuously appropriated" to the Department of Transportation for the rehabilitation of railroad tracks and facilities (60-11-1107, MCA).
Upland Game Birds	Revenue in this account is derived from hunting license fees, which must be used for DFWP programs, according to federal and state law (87-1-710, MCA). In addition, section 87-1-246, MCA, requires the money be used exclusively to preserve and enhance upland game bird populations.
Gambling License Fees	Revenue in this account is used for the Department of Justice administrative expenses in regulating gambling (23-5-306, 23-5-308, 23-5-407, 23-5-612, and 23-5-625 MCA). The entire projected fund balance has been appropriated to the Department of Justice's Gambling Control division for expenditure by the end of the 1993 biennium.
Airport Loans	Bond proceeds remaining when the airport loan program terminated in 1989 must remain in the account, with the resulting interest used to retire bond debt (67-1-301(3), MCA).
Reclamation & Development	Resource Indemnity Trust (RIT) interest deposited in this account may be appropriated for grants for designated projects and for administrative expenses associated with the grants program (90-2-1104, MCA).
Hazardous Waste CERCLA	Unused balances are to be used to provide for disposal and control of hazardous substances and contaminants (75-10-621(5), MCA).
University Millage	Revenue from the 6 mill statewide levy is deposited into this account for support, maintenance, and improvement of the Montana university system (20-25-423, MCA).
Animal Health	Montana's constitution (Article XIII, section 1) limits use of revenue raised from special levies on livestock for disease and predator control and livestock inspection, protection, research, and promotion.
Environmental Quality Protection	Funds may be used only for remedial actions in response to a release of hazardous or deleterious substances (75-10-704, MCA).
Rangeland Improvement	Section 76-14-112, MCA, establishes the account but imposes no restrictions on its use. Section 76-14-111 authorizes the Department of Natural Resources and Conservation to make rangeland improvement loans.
State 911 Program	After payments of refunds, the balance in the account must be used for emergency telephone system plans. These funds (except for plan administration) are statutorily appropriated (10-4-301, MCA).
Wheat & Barley Research	Section 80-11-207, MCA, requires that funds in the account be used for wheat and barley research and marketing.



GENERAL GOVERNMENT AND HIGHWAYS

LEGISLATIVE AUDITOR

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	67.50		67.50	67.50		67.50	
Personal Services	2,111,654	115,157	2,226,811	2,114,350	188,795	2,303,145	4,529,956
Operating Expenses	355,736	0	355,736	306,634	0	306,634	662,370
Equipment	43,068	0	43,068	57,629	0	57,629	100,697
Total Costs	\$2,510,458	\$115,157	\$2,625,615	\$2,478,613	\$188,795	\$2,667,408	\$5,293,023
<u>Fund Sources</u>							
General Fund	1,216,997	55,321	1,272,318	1,210,563	90,697	1,301,260	2,573,578
State Revenue Fund	1,293,461	59,836	1,353,297	1,268,050	98,098	1,366,148	2,719,445
Total Funds	\$2,510,458	\$115,157	\$2,625,615	\$2,478,613	\$188,795	\$2,667,408	\$5,293,023

Agency Description

The Office of the Legislative Auditor, established in 1967, is governed by the Legislative Audit Act, contained in Title 5, Chapter 13, MCA. Article V, Section 10(4) of the Montana Constitution mandates a legislative post-audit function. The office works under the supervision of the Legislative Audit Committee.

The agency is divided into three functional areas: 1) Financial-Compliance Audits; 2) Performance Audits; and 3) Operations/Electronic Data Processing (EDP) Audits. The Financial-Compliance section performs biennial audits of all state agencies, an annual statewide financial audit, and biennial federal single audit. The Performance Audit section conducts audits of state agencies to determine program effectiveness, efficiency, and compliance with established laws, rules, goals, and objectives. Legislatively requested audits and performance audits are conducted to determine effectiveness, efficiency, and compliance with laws, rules, goals, and objectives. EDP audits are evaluations of data processing systems and controls and are conducted independently and in conjunction with financial-compliance and performance audits.

LEGISLATIVE AUDITOR

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Operational Reduction	NA	(\$59,969)	\$0	(\$59,969)	(\$97,101)	\$0	(\$97,101)
Other							
2) Fund Balance Transfer	NA	(22,159)	0	(22,159)	(7,000)	0	(7,000)
Totals		(\$82,128)	\$0	(\$82,128)	(\$104,101)	\$0	(\$104,101)

The Executive Budget proposal adopted the Legislative Audit Committee's recommendation for fiscal 1992 reductions. However, the committee did not make any recommendations for fiscal 1993. The Executive Budget recommends a 7.5 percent reduction for fiscal 1993.

1) Operational Reduction - This agency would reduce general fund expenditures by \$59,969 in fiscal 1992 by decreasing travel, contracted services and other operating expenses. The Executive Budget proposal for fiscal 1993 reductions are: 1) \$24,275 in personal services; 2) \$48,551 in operating expenses; and 3) \$24,275 in equipment.

2) Fund Balance Transfer - In fiscal 1992, the agency will transfer \$22,159 to the general fund from the legislative audit state special revenue account, which receives fees collected from agencies for statutorily mandated audits. Since 1987, the legislative audit special revenue account has maintained an average fiscal year ending balance of \$323,065.

Prior to the end of fiscal 1993, the agency would deposit up to \$7,000 in the general fund, which will be recovered as part of a court settlement requiring the defendant to pay costs of the special audit at Mountain View School. These funds were not anticipated during the 1991 session.

LEGISLATIVE AUDITOR

General Fund Budget Modifications

Modification Description	Pgm	Fiscal 1992		Fiscal 1993	
		FTE	Approp.	FTE	Approp.
			Thru Nov.		
1) Legislative Automation Plan	01	0.00	\$6,401	0.00	\$12,706
2) Adjusted Cost Estimates	01	0.00	12,476	0.00	4,040
3) Added Staff - Privatization Alternatives	01	1.00	24,837	1.00	24,778
4) Added Staff - New Audit Work	01	1.00	24,837	1.00	24,778
Totals		2.00	\$68,551	2.00	\$66,302

1) Legislative Branch Automation Plan - This modification implements the agency's portion of the Legislative Branch Automation Plan. This automation plan was adopted by a legislative branch planning council created by the 1989 legislature (House Bill 496) to conduct planning and assure coordination of information systems in the legislative branch. In addition to general fund, state special revenue funds of \$6,151 in fiscal 1992, and \$12,208 in fiscal 1993, are also appropriated. Funds will be used for software upgrades and replacement equipment, which have already been ordered by the agency.

2) Adjusted Cost Estimates - Increased operating costs are added for a periodic peer review required by Government Auditing Standards, an actuarial review of the State Compensation Fund, and increased data processing volume for audits. This modification also reflects a decrease in printing costs. State special revenue of \$11,987 in fiscal 1992, and \$3,883 in fiscal 1993, is also appropriated. Although this modification has been implemented, the office is unable to identify how much has been expended because this appropriation is included in their current level appropriation on SBAS.

3) Added Audit Staff--Privatization Alternatives - This modification adds 1.0 FTE to carry out provisions of House Bill 857 requiring a review by the Legislative Audit Committee of all privatization proposals. The 1.0 FTE authorized by this modification has been filled.

4) Added Staff--New Audit Work - This modification adds 1.0 FTE to complete additional audit work due to legislation passed by the 1991 legislature. The additional audit work is primarily related to one-time audits, reviews, and studies. The 1.0 FTE authorized by this modification has been filled.

LEGISLATIVE FISCAL ANALYST

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	17.50		17.50	18.00		18.00	
Personal Services	709,034	29,486	738,520	717,944	49,742	767,686	1,506,206
Operating Expenses	152,983	0	152,983	152,417	0	152,417	305,400
Equipment	2,500	0	2,500	2,500	0	2,500	5,000
Total Costs	\$864,517	\$29,486	\$894,003	\$872,861	\$49,742	\$922,603	\$1,816,606
Fund Sources							
General Fund	864,517	29,486	894,003	872,861	49,742	922,603	1,816,606
Total Funds	\$864,517	\$29,486	\$894,003	\$872,861	\$49,742	\$922,603	\$1,816,606

Agency Description

The Office of the Legislative Fiscal Analyst (LFA) was established in 1974 to provide concentrated fiscal analysis of state government and to accumulate, compile, analyze, and furnish information bearing upon the financial matters of the state and policy issues of statewide importance. The duties of the office are provided in the Legislative Finance Act.

LEGISLATIVE FISCAL ANALYST

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Operational Reduction	NA	(\$46,764)	\$0	(\$46,764)	(\$73,808)	\$0	(\$73,808)
2) Legislative Contingencies	NA	(800)	0	(800)	0	0	0
3) Legislative Requests	NA	(800)	0	(800)	0	0	0
Other Appropriation Bills							
4) HB 142 - Postsecondary Ed.	NA	(2,640)	0	(2,640)	0	0	0
Totals		(\$51,004)	\$0	(\$51,004)	(\$73,808)	\$0	(\$73,808)

The Executive Budget proposal adopted the Legislative Finance Committee's recommendation for fiscal 1992 reductions. The committee did not make any recommendations for fiscal 1993. The Executive Budget recommends an 8 percent reduction for fiscal 1993.

1) Operational Reduction - This agency would reduce expenditures by \$46,764 in fiscal 1992 by decreasing: 1) personal services by \$36,386, which will be achieved by holding an analyst position vacant for four months and a 0.5 secretarial position vacant the whole year; 2) operating expenses by \$9,039; and 3) equipment by \$1,339. The Executive Budget proposal for the fiscal 1993 reduction would consist of: 1) \$61,830 in personal services, which would require maintaining two vacant positions throughout the entire session year; 2) \$10,639 in operating expenses; and 3) \$1,339 in equipment.

2) Legislative Contingencies - The agency would reduce operating expenditures from its \$20,000 current level biennial appropriation by \$800 in fiscal 1992.

3) Legislative Requests Modification - Operating expenses in this \$20,000 biennial budget modification appropriation would be reduced by \$800 in fiscal 1992.

4) HB 142 - Postsecondary Education Study - The agency would reduce expenditures from this \$66,000 biennial appropriation by \$2,640 in fiscal 1992.

LEGISLATIVE FISCAL ANALYST

General Fund Budget Modifications

Modification Description	Pgm	FTE	Approp.	Expended Thru Nov.	Percent Expended	FTE	Approp.
1) Legislative Requests	NA	0.00	\$20,000	\$0	0.00%	0.00	\$0
Totals		0.00	\$20,000	\$0	0.00%	0.00	\$0

1) Legislative Requests - This modification provides a line-item, biennial appropriation for increased data processing costs. Costs have increased due to more computer processing associated with legislative requests and due to the development of an improved budget and network computer system. This appropriation will be used only for legislative request computer processing, with any funds not used for that purpose to revert to the general fund.

Other General Fund Appropriations

Bill Number and Description	Pgm	FTE	Approp.	Expended Thru Nov.	Percent Expended	FTE	Approp.
1) HB 142 - Postsecondary Education Study	NA	0.00	\$66,000	\$704	1.07%	0.00	\$0
Totals		0.00	\$66,000	\$704	1.07%	0.00	\$0

1) HB 142 - Postsecondary Education Study - The legislature created a statutory Joint Committee on Postsecondary Education Policy and Budget in House Bill 142, and appropriated \$66,000 general fund for the biennium to the Office of the Legislative Fiscal Analyst for use by the Committee. The appropriation includes \$26,000 of printing, travel, per diem, and administrative costs, and \$40,000 for consultant costs.

LEGISLATIVE COUNCIL

<u>Budget Item</u>	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	45.70		45.70	53.70		53.70	
Personal Services	1,512,765	76,834	1,589,599	1,643,654	152,898	1,796,552	3,386,151
Operating Expenses	1,481,931	0	1,481,931	758,582	0	758,582	2,240,513
Equipment	161,948	0	161,948	122,502	0	122,502	284,450
Total Costs	\$3,156,644	\$76,834	\$3,233,478	\$2,524,738	\$152,898	\$2,677,636	\$5,911,114
<u>Fund Sources</u>							
General Fund	2,092,448	76,834	2,169,282	2,019,255	152,898	2,172,153	4,341,435
State Revenue Fund	1,064,196	0	1,064,196	505,483	0	505,483	1,569,679
Total Funds	\$3,156,644	\$76,834	\$3,233,478	\$2,524,738	\$152,898	\$2,677,636	\$5,911,114

Agency Description

The Legislative Council provides a variety of support services to the legislature under the general supervision of an eight-member bipartisan committee composed of four members of the House of Representatives and four members of the Senate. Council services include: bill drafting and the engrossing and enrolling of bills; printing and distribution of legislative proceedings, session laws, and journals of the House and Senate; provision of legislative research and reference services; legal counseling for the legislature; committee staffing; provision of interim investigation authority; service as the agency of interstate cooperation; preparation and publication of the Montana Code Annotated statute text and annotations; review of the text of proposed ballot measures and proposed administrative rules; and other services as assigned by the legislature.

LEGISLATIVE COUNCIL

Executive Budget Proposal

Description	Pgm	Fiscal 1992		Fiscal 1993		Total Funds
		General Fund	Other Funds	General Fund	Other Funds	
House Bill 2						
1) Operational Reduction	05	(\$37,361)	\$0	\$0	\$0	
2) Operational Reduction	10	(42,223)	0	(102,244)	0	(102,244)
3) Base Pay Adjustment	10	0	0	(30,349)	0	(30,349)
4) One Added FTE	10	0	0	(27,179)	0	(27,179)
5) Reapportmnt Tech. Support	10	(35,000)	0	0	0	
6) Legislative Computer Network	10	(25,000)	0	(14,000)	0	(14,000)
Other Appropriation Bills						
7) HB 966 - Galen/Warm Springs	NA	(2,960)	0	0	0	
Totals		(\$142,544)	\$0	(\$173,772)	\$0	(\$173,772)

The Executive Budget proposal adopted the Legislative Council's recommendation for fiscal 1992 reductions. The council did not make any recommendations for fiscal 1993. The Executive Budget recommends an 8 percent reduction in the general fund appropriation for fiscal 1993.

1) Operational Reduction - The Interim Studies program would reduce operating expenses by \$37,361 in fiscal 1992. This reduction represents an 8 percent decrease to the \$469,407 general fund portion of their biennial appropriation, and would consist mainly of decreased travel and contracted services.

2) Operational Reduction - The Legislative Council Operations program would reduce spending by \$42,223 in fiscal 1992 which includes: 1) a \$23,223 decrease in operating expenses; and 2) a \$19,000 decrease in equipment purchases. In the Executive Budget proposal for fiscal 1993, the entire reduction would be made in operating expenses.

3) Base Pay Adjustment - In the Executive Budget proposal, personal services in the Council operations would be reduced by \$30,349 in fiscal 1993, eliminating this budget modification's entire fiscal 1993 appropriation. Because pay plan increases funded by the modification have been implemented for fiscal 1992, and since the fiscal 1993 modification

LEGISLATIVE COUNCIL

includes both the fiscal 1992 pay increase plus the additional increase for fiscal 1993, elimination of the entire modification would necessitate other personal services savings to continue funding the pay plan increases.

- 4) One Added FTE - In fiscal 1993, the Executive Budget proposal would reduce personal services in Council operations by \$27,179. This reduction would eliminate the fiscal 1993 appropriation for the 1.0 FTE programmer analyst authorized in this budget modification, which had not been hired as of November, 1991.
- 5) Reapportionment Technical Support - In fiscal 1992, the Council Operations program would reduce expenditures from this modification by \$35,000. This 25 percent reduction would be taken entirely from operating expenses.
- 6) Legislative Computer Network - The Council Operations program would reduce expenditures authorized in this modification by \$25,000 in fiscal 1992, and \$14,000 in fiscal 1993. The 1992 reduction would represent a 26 percent reduction to that year's budget, and would consist of: 1) a \$15,000 decrease in personal services; and 2) a \$10,000 decrease in equipment. The Executive Budget proposal for the fiscal 1993 reduction constitutes a 17 percent reduction, and consists entirely of decreased equipment purchases.
- 7) HB 966 - Galen/Warm Springs Study - The agency would reduce expenditures from this \$37,000 biennial appropriation for study committee expenses by \$2,960, which represents an 8 percent reduction.

General Fund Budget Modifications

Modification Description	Pgm	Fiscal 1992			Fiscal 1993		
		FTE	Approp.	Expended Thru Nov.	FTE	Approp.	
1) 1991 Base Pay Adjustment	10	0.00	\$34,161	Implemented	0.00	\$30,349	
2) One Added FTE	10	1.00	23,865	0	1.00	27,179	
3) Reapportionment Technical Support	10	0.00	138,486	55,944	0.00	11,213	
4) Legislative Branch Computer Network	10	1.00	94,530	515	1.00	84,166	
Totals		2.00	\$291,042	\$56,459	2.00	\$152,907	

- 1) 1991 Base Pay Adjustment - This modification funds a fiscal 1991 staff pay plan increase adopted by the Legislative Council but not included in the 1993 biennium budget base. The modification has been implemented, but data on expenditures through November is unavailable due to inclusion of these funds in the agency's current level SBAS appropriation.

LEGISLATIVE COUNCIL

- 2) One Added FTE - The legislature approved the addition of a 1.0 FTE programmer analyst for Legislative Council computer systems. The 1.0 FTE authorized by this modification has not been hired.
- 3) Reapportionment Technical Support - This modification funds the acquisition of computer equipment, software, data preparation, and training to enable staff of the Montana Districting and Apportionment Commission to use available census data to assist in reapportionment. In subsequent years, the system will be used in other geographical analyses.
- 4) Legislative Branch Computer Network - This modification will provide funds and 1.0 FTE to support legislative branch computer network centralization. The 1989 legislature enacted House Bill 496, creating the Legislative Branch Computer System Planning Council to develop and maintain a legislative computer system plan. The Legislative Council plan includes the hardware upgrade funded by this budget modification. The 1.0 FTE will be used to develop and manage the system for all of the legislative agencies. The office is currently recruiting for this position.

Other General Fund Appropriations

Bill Number and Description	Pgm	FTE		Fiscal 1992		Fiscal 1993	
		--		--		--	
				Expended	Percent	FTE	Approp.
				Thru Nov.	Expended		
1) HB 966 - Galen/Warm Springs Study	05	0.00		\$37,000	\$3,924	10.61%	0.00
							\$0
Totals		0.00		\$37,000	\$3,924	10.61%	0.00
							\$0

- 1) HB 966 - Galen/Warm Springs Study - The legislature appropriated \$37,000 general fund for the biennium to create a Committee on the Montana State Hospital at Galen and Warm Springs. The committee is to conduct a study of past, current, and potential future uses of the Montana State Hospital and to report the study's findings to the 53rd Legislature.

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ENVIRONMENTAL QUALITY COUNCIL

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	7.00		7.00	7.00		7.00	
Personal Services	236,040	11,763	247,803	231,903	18,618	250,521	498,324
Operating Expenses	70,884	0	70,884	46,372	0	46,372	117,256
Equipment	5,000	0	5,000	5,000	0	5,000	10,000
Total Costs	\$311,924	\$11,763	\$323,687	\$283,275	\$18,618	\$301,893	\$625,580
Fund Sources							
General Fund	285,473	11,763	297,236	283,275	18,618	301,893	599,129
State Revenue Fund	26,451	0	26,451	0	0	0	26,451
Total Funds	\$311,924	\$11,763	\$323,687	\$283,275	\$18,618	\$301,893	\$625,580

Agency Description

The Environmental Quality Council (EQC) was created in 1971 to implement provisions of the Montana Environmental Policy Act (MEPA - Title 75, Chapter 1, MCA). Two programs exist within the agency. The Environmental Quality Council Program is responsible for the general EQC program and for the environmental quality goals established in MEPA. The Water Policy Committee Program is responsible for advising the legislature on state water policy and utilizes the staff of the EQC for support.

ENVIRONMENTAL QUALITY COUNCIL

Executive Budget Proposal

Description	Pgm	General Fund	Other Funds	Fiscal 1992	Total Funds	General Fund	Other Funds	Fiscal 1993	Total Funds
House Bill 2									
1) Operational Reduction	01	(\$6,900)	\$0		(\$6,900)	(\$7,400)	\$0		(\$7,400)
2) Funding Switch	02	(1,058)			(1,058)	0	0		
Totals		(\$7,958)			(\$7,958)	(\$7,400)	\$0		(\$7,400)

The Executive Budget proposal adopted the Environmental Quality Council's recommendation for fiscal 1992 reductions. The council did not make any recommendations for fiscal 1993 reductions. The Executive Budget recommends a 2.5 percent reduction for fiscal 1993.

1) Operational Reduction - In fiscal 1992, the agency would reduce expenditures by \$6,900 through: 1) one less BQC meeting (\$2,400); 2) a \$2,500 decrease in rent, due to actual DoFA charges being less than the amount budgeted; and 3) a \$2,000 decrease in contracted services. The Executive Budget proposal for fiscal 1993 consists of: 1) the same reductions as in fiscal 1992; and 2) a \$2,500 reduction in equipment.

2) Funding Switch - In fiscal 1992, \$1,058 of RIT interest used to fund the Water Policy Committee would be used to support the Environmental Quality program, allowing a general fund reduction of the same amount in that program.

General Fund Budget Modifications

Modification Description	Pgm	FTE	Fiscal 1992	Percent	Fiscal 1993
			Approp.	Expend	FTE
1) Additional Staff	01	0.50	\$15,800	Implemented	0.50
Totals		0.50	\$15,800	NA	0.50

ENVIRONMENTAL QUALITY COUNCIL

1) Additional Staff - This modification provides \$31,600 general fund for an additional 0.5 FTE for coordination, oversight, and liaison to executive agencies for compliance with the Montana Environmental Policy Act (MEPA). The modification has been implemented, and the 0.5 FTE has been hired.

CONSUMER COUNSEL

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	4.25		4.25	4.25		4.25	
Personal Services	209,972	7,167	217,139	213,806	11,734	225,540	442,679
Operating Expenses	700,700	0	700,700	719,592	0	719,592	1,420,292
Equipment	<u>1,710</u>	<u>0</u>	<u>1,710</u>	<u>1,710</u>	<u>0</u>	<u>1,710</u>	<u>3,420</u>
Total Costs	\$912,382	\$7,167	\$919,549	\$935,108	\$11,734	\$946,842	\$1,866,391
Fund Sources							
State Revenue Fund	<u>912,382</u>	<u>7,167</u>	<u>919,549</u>	<u>935,108</u>	<u>11,734</u>	<u>946,842</u>	<u>1,866,391</u>
Total Funds	\$912,382	\$7,167	\$919,549	\$935,108	\$11,734	\$946,842	\$1,866,391

Agency Description

The Office of the Consumer Counsel was created by Article XIII, Section 2 of the 1972 Montana Constitution. The office is governed by Title 5, Chapter 15, MCA, and by Title 69, Chapters 1 and 2, MCA. The Consumer Counsel is charged with the duty of "representing consumer interests in hearings before the Public Service Commission or any other successor agency." The Consumer Counsel also may initiate, intervene in, or otherwise participate in appropriate proceedings in the state and federal courts and in proceedings before federal administrative agencies on behalf of the public of Montana.

Executive Budget Proposal

The executive budget proposes no changes in this agency's budget.

JUDICIARY

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	91.50		91.50	92.00		92.00	
Personal Services	4,385,389	89,371	4,474,760	4,610,017	150,350	4,760,367	9,235,127
Operating Expenses	1,201,504	0	1,201,504	1,199,154	0	1,199,154	2,400,658
Equipment	310,794	0	310,794	292,549	0	292,549	603,343
Grants	2,605,415	0	2,605,415	2,729,405	0	2,729,405	5,334,820
Total Costs	\$8,503,102	\$89,371	\$8,592,473	\$8,831,125	\$150,350	\$8,981,475	\$17,573,948
<u>Fund Sources</u>							
General Fund	8,008,765	72,569	8,081,334	8,348,037	122,084	8,470,121	16,551,455
State Revenue Fund	494,337	16,802	511,139	483,088	28,266	511,354	1,022,493
Total Funds	\$8,503,102	\$89,371	\$8,592,473	\$8,831,125	\$150,350	\$8,981,475	\$17,573,948

Agency Description

The judicial branch of state government is provided for in Article III, Section I, and Article VII of the 1972 Montana Constitution. The jurisdiction of the Supreme Court consists of all appellate and original jurisdiction in petitions for writs of habeas corpus and other such writs, general supervisory control over all courts, and rule making powers for Montana courts. The court also supervises the reimbursement to district courts of certain costs of criminal cases.

JUDICIARY

Executive Budget Proposal

Description	Pgm	Fiscal 1992		Fiscal 1993		Total Funds
		General Fund	Other Funds	General Fund	Other Funds	
House Bill 2						
1) Supreme Court Operations	01	(\$85,654)		(\$85,654)		(\$86,342)
2) Boards and Commissions	02	(19,928)		(19,928)		(20,171)
3) Law Library	03	(60,834)		(60,834)		(62,106)
4) Water Court Supervision	05		(40,891)		(40,908)	(40,908)
5) Clerk of Court	06	(10,729)		(10,729)		(10,874)
6) District Court Reimbursement	07					(224,767)
Other Appropriation Bills						
7) HB 903 Court Automation	01	(33,600)		(33,600)		
Totals		(\$210,745)	(\$40,891)	(\$251,636)	(\$40,908)	(\$445,168)

The Executive Budget is recommending an eight percent general fund reduction for the Judiciary with the exception of certain appropriations. The reduction is not applied to: 1) elected officials' salaries; 2) the District Court Operations Program; and 3) the fiscal 1992 appropriation for the District Court Criminal Reimbursement Program.

1) Supreme Court Operations - The Executive Budget proposes a general fund reduction of \$171,996 over the biennium in the Supreme Court Operations Program, excluding the personal services costs for the Supreme Court justices.

2) Boards and Commissions - The Executive Budget proposes a general fund reduction of \$40,099 in the Boards and Commissions Program over the biennium.

3) Law Library - The Executive Budget reduces the Law Library Program general fund appropriation by \$122,940 over the biennium. The eight percent reduction is applied to the appropriation for automated legal data bases, about 26 percent of the general fund appropriated to the program. Although automated legal searches are funded by general fund, the cost is reimbursed by state agencies, local governments, and private law firms that use the service and income is deposited to the general fund.

JUDICIARY

- 4) Water Court Adjudication - The Executive Budget reduces the Water Court Adjudication state special revenue appropriation by \$81,799 over the biennium. The salary of the water court judge, set by statute, is included in the eight percent reduction. The program is funded from the water development state special revenue account, which receives revenue from resource indemnity trust interest, water development project revenues, and the coal severance tax. The Executive Budget uses the state special revenue saved from the Water Court Adjudication Program to offset a like amount of general fund in the Water Resources and Planning Division in the Department of Natural Resources and Conservation.
- 5) Clerk of Court Program - The Executive Budget proposes reducing general fund in the Clerk of Court Program by \$21,603 over the biennium.
- 6) District Court Criminal Reimbursement Program - The Executive Budget proposes reducing the fiscal 1993 general fund appropriation of the District Court Criminal Reimbursement Program by eight percent. The program reimburses counties for certain costs related to criminal cases (3-5-901, MCA). If funds appropriated for district court criminal expenses exceed such expenses, counties may apply for and be awarded grants for district court expenses (7-6-2352, MCA). If the state appropriation is insufficient to cover district court criminal expenses, counties are liable for such expenses.
- 7) HB 903 Court Automation - The Executive Budget reduces the biennial appropriation in HB 903 by eight percent (\$33,600). The bill appropriates \$420,000 general fund and \$200,000 federal funds over the biennium to the Supreme Court administration of justice. As of November 30, the court had expended 73 percent of the general fund appropriation. (See item 1 following the Other General Fund Appropriations Table).

General Fund Budget Modifications

Modification Description	Pgm	Fiscal 1992		Fiscal 1993	
		FTE	Approp.	FTE	Approp.
1) Court Automation	01	2.00	\$101,646	2.00	\$101,647
2) Law Clerk Parity	01		13,767		13,749
3) Clerk of Court Training	01		4,000		4,000
4) Law Library Book Inflation	03		10,556		9,265
5) HB 934 - 21st Judicial District	04		0	0.50	32,770
6) SB 228 Judicial Salary Increase	NA		150,453		349,581
7) Deputy Clerk of Court Salary Increase	06		3,323		3,323
8) HB 864 District Court Criminal Reimbursement Program	07	1.00	2,684,427	1.00	2,806,573
Totals		3.00	\$2,968,172	3.50	\$3,320,908

JUDICIARY

- 1) Court Automation - This budget modification continues the FTE and funding authorized by House Bill 320 passed by the 1989 legislature to purchase hardware and software for a pilot automation project and begin development of uniform software applications and computer training for district courts and courts of limited jurisdiction. This budget modification appropriates \$203,293 general fund over the biennium. The 2.0 FTE that have been hired, provide system maintenance, support, and training.
- 2) Law Clerk Parity - This budget modification adds \$27,516 general fund over the biennium to increase law clerk salaries. Although law clerk positions are exempt, the agency hired law clerks at a pay level similar to grade 13 (\$21,674 annual entry level salary excluding benefits and insurance under the fiscal 1992 state pay plan). Classified attorney positions in other state agencies were reclassified, resulting in an entry grade no lower than 14, or \$23,588 annually under the current state pay plan. The legislature approved salary increases for 14 law clerks who assist the justices of the Supreme Court. The modification allows law clerk positions to be paid at a higher rate, although the amount of the modification is insufficient to fully fund a one grade increase. The court received \$31,364 in House Bill 509 funds and this budget modification to increase fiscal 1992 law clerk salaries. The court used \$26,939 of that amount, allocating the rest toward market pay adjustments for other positions. House Bill 509 did not include funding for a market pay adjustment for FTE in the Judiciary as all the FTE are exempt from classification on the state pay plan.
- 3) Clerk of Court Training - This budget modification allows \$8,000 general fund (\$4,000 each year of the biennium) to finance travel, meals, lodging, and materials for presenters participating in the Clerk of Court Training School. This school provides instruction to clerks of court to improve operations of district clerk of court offices. The first session was held in September at Montana State University. The budget modification funds were used to pay for computer training and some of a speaker's travel expenses.
- 4) Law Library Book Inflation - This budget modification adds \$19,821 general fund over the biennium to reflect historic inflation experienced in the price of law library reference materials. The current level base appropriation contains \$17,318 for inflation for book purchases in 1992 and \$16,398 in fiscal 1993. The agency testified that although inflation for some book purchases has been recognized in previous budgets, the inflation factor was not applied to law library book purchases recorded in the equipment category. As of the end of November, the library has expended \$86,810 for book purchases out of a fiscal 1992 budget of \$241,403.
- 5) HB 934 - 21st Judicial District - This budget modification funds a new district court judge and operating expenses. The new judge will take office January 1, 1993. In the 1995 biennium, the FTE will increase to a full-time position.
- 6) SB 228 Judicial Salary Increases - This bill incrementally increases Supreme Court and District Court judges' salaries every six months during the 1993 biennium, until each position is paid \$5,000 more than during the 1991 biennium. The total increase is about 8.4 percent for Supreme Court justices. The salary increases included in Senate Bill 228 are being implemented.

GOVERNOR'S OFFICE

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	59.50		59.50	59.50		59.50	
Personal Services	2,062,670	106,119	2,168,789	2,062,010	171,437	2,233,447	4,402,236
Operating Expenses	853,475	0	853,475	879,541	0	879,541	1,733,016
Equipment	208,559	0	208,559	19,381	0	19,381	227,940
Total Costs	\$3,124,704	\$106,119	\$3,230,823	\$2,960,932	\$171,437	\$3,132,369	\$6,363,192
<u>Fund Sources</u>							
General Fund	2,596,321	89,522	2,685,843	2,432,856	144,343	2,577,199	5,263,042
State Revenue Fund	78,221	362	78,583	78,186	573	78,759	157,342
Federal Revenue Fund	450,162	16,235	466,397	449,890	26,521	476,411	942,808
Total Funds	\$3,124,704	\$106,119	\$3,230,823	\$2,960,932	\$171,437	\$3,132,369	\$6,363,192

Agency Description

The Office of the Governor was created upon acceptance of Montana into the United States in 1889 and exists under authority contained in Article VI of the Montana Constitution. The Governor has constitutional and statutory authority to administer the affairs of the State of Montana; appoint all military and civil officers of the state whose appointments are provided for by statute or the Constitution; approve or disapprove legislation; report to the legislature on the condition of the state; submit a biennial executive budget; grant reprieves and pardons; serve on various boards and commissions as provided by the Constitution and statutes; and represent the state in relations with other governments and the public.

GOVERNOR'S OFFICE

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Executive Office Operations	01	(\$16,507)		(\$16,507)	(\$21,476)		(\$21,476)
2) Flathead Basin Commission	01	(12,000)		(12,000)	(12,000)		(12,000)
3) Indirect Cost Acctg. Change	01	(5,000)	5,000		(5,000)	5,000	
4) Mansion Operating Reductions	02	(5,176)		(5,176)	(5,212)		(5,212)
5) Air Transportation Operations	03	(2,815)		(2,815)	(2,823)		(2,823)
6) Air Transp. Cost Reimb.	03	(10,000)	10,000		(10,000)	10,000	
7) OBPP Operating Reductions	04	(25,254)		(25,254)	(24,718)		(24,718)
8) NASBO 1992 National Meeting	04	(5,000)		(5,000)	(5,000)		(5,000)
9) Eliminate Clearinghouse	04	(1,000)		(1,000)	(34,000)		(34,000)
10) Lt. Governor Operations	12	(5,431)		(5,431)	(5,418)		(5,418)
11) Lt. Governor-Funding Switch	12	(6,000)	6,000		(15,000)	15,000	
12) Citizen's Advocate Vac. Svgs.	16	(422)		(422)	(421)		(421)
13) Citizen's Advocate Cost Reimb.	16	(15,000)	15,000		(15,000)	15,000	
14) Board of Visitors Operations	20	(1,395)		(1,395)	(1,813)		(1,813)
Other							
15) ARCO Fund Balance Transfer	01	(28,000)		(28,000)			
Totals		(\$139,000)	\$36,000	(\$103,000)	(\$157,881)	\$45,000	(\$112,881)

1, 4, 5, 7, 10, 12, 14) General Operational Reductions - The Executive Budget proposal includes general program reductions in all seven programs funded by general fund in the Governor's Office. The total general reductions for all programs were as follows: 1) personal services -- \$20,000 each fiscal year, an average of 1.0 percent added vacancy savings per program (House Bill 2 vacancy savings for this agency was 4.5 percent); 2) operating expenses -- \$18,500 in fiscal 1992 and \$23,500 in fiscal 1993, an average of 2.6 percent of total operating expenses in fiscal 1992 and 3.2 percent in fiscal 1993; and, 3) equipment -- \$18,500 in fiscal 1992 and \$18,381 in fiscal 1993, which was 80.7 of the equipment budgets for these programs (excluding the airplane debt service payment) in fiscal 1992 and 100 percent of the fiscal 1993 equipment budget. The Executive Budget proposal indicates that part of the additional 1 percent vacancy

GOVERNOR'S OFFICE

savings may have to be absorbed by requiring two staff furlough days per year. Other specific reductions in these programs are discussed below.

- 2) Flathead Basin Commission Reduction - The Flathead Basin Commission (tasked with preserving clean water sources in the Flathead Basin) is supported by an annual budget of \$78,000 in private funds and approximately \$18,000 in general fund administrative support in the Executive Office. The Executive Budget proposal is to eliminate \$12,000 general fund support each year. The Commission has historically spent less than 50 percent of its annual appropriation.
- 3) Indirect Cost Accounting Change - The Governor's Office has historically collected more indirect cost reimbursement funds from federal sources than the agency has spending authority for. In prior years, the excess collections were deposited into the general fund. The Executive Budget proposal recommends establishing state special revenue fund authority for the amount of the excess collections, reducing the general fund by the same amount (\$5,000 per year). This action provides for a change in accounting procedure, but does not have any net impact on the general fund.
- 6) Air Transportation Cost Reimbursement - This recommendation provides for a funding switch by establishing a state special revenue fund to receive revenues from a new fee to be charged to agencies for use of the Governor's aircraft. The general fund appropriation would be reduced by the same amount, \$10,000 per year. There would be no reduction in total spending authority.
- 8) NASBO 1992 National Meeting - This recommendation eliminates Budget Modification # 1 discussed below for one-time support services associated with hosting the annual meeting of the National Association of State Budget Officers. Agency staff say that private funding will be sought for this purpose.
- 9) Eliminate the IGR Clearinghouse Function - This recommendation eliminates the Intergovernmental Review (IGR) Clearinghouse operation in the Office of Budget and Program Planning, and would eliminate the 1.0 FTE tasked with those duties in fiscal 1993. The reduction includes personal services of \$1,000 in fiscal 1992 and \$30,000 in fiscal 1993, plus \$4,000 of operating expenses in fiscal 1993. The IGR Clearinghouse function, which used to be a federal requirement, provides a means of making public all federal government grants, contracts, and other projects scheduled in the state. This has been done in Montana by publishing a monthly newsletter of scheduled federal projects, notifying the public of deadlines and means for public comment/input. Several years ago, the federal government eliminated the requirement that states provide a clearinghouse function, and other states have already eliminated this function.
- 11) Lt. Governor - Funding Switch - The Executive Budget proposal recommends reducing the general fund appropriation by \$6,000 in fiscal 1992 and \$15,000 in fiscal 1993 and increasing other fund sources by the same amount to support one FTE. This existing position will provide support for an Economic Development Task Force being organized by the Lt. Governor. Funding for the position will come from agencies participating on the council, in a yet-to-be determined funding ratio.
- 13) Citizen's Advocate Cost Reimbursement - The Citizen's Advocate Office is supported in House Bill 2 entirely by general fund. This Executive Budget recommends a funding switch, reducing the general fund appropriation by \$15,000

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per year and creating a state special revenue appropriation supported by a new fee charged to SRS and the Department of Family Services for the proportionate share of services provided by the Citizen's Advocate Office for federally funded programs in those agencies.

15) ARCO Fund Balance Transfer - The Governor's Office will transfer to the general fund the private funds (from ARCO Coal Company) remaining in a state special revenue account for the Clark Fork Demonstration Project. The funds can be transferred administratively and no legislative action is required.

General Fund Budget Modifications

Modification Description	Pgm	FTE	Fiscal 1992 Approp.	Expended Thru Nov.	Percent Expended	FTE	Fiscal 1993 Approp.
1) NASBO 1992 National Meeting	04	0.00	\$5,000	\$0	0.00%	0.00	\$5,000
2) Equipment Replacement	04	0.00	4,000	0	0.00%	0.00	0
Totals		0.00	\$9,000	\$0	0.00%	0.00	\$5,000

1. NASBO 1992 National Meeting - This modification provides \$10,000 general fund in the 1993 biennium for hosting the annual meeting of the National Association of State Budget Officers in Kalispell in July 1992.

2. Equipment Replacement - This modification provides \$4,000 general fund in fiscal 1992 to replace a copy machine purchased in 1984 that has experienced excessive mechanical failure.

SECRETARY OF STATE'S OFFICE

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	35.25		35.25	35.25		35.25	
Personal Services	811,205	59,314	870,519	811,005	93,769	904,774	1,775,293
Operating Expenses	658,257	0	658,257	633,996	0	633,996	1,292,253
Equipment	65,585	0	65,585	19,153	0	19,153	84,738
Total Costs	\$1,535,047	\$59,314	\$1,594,361	\$1,464,154	\$93,769	\$1,557,923	\$3,152,284
Fund Sources							
General Fund	1,027,283	36,580	1,063,863	956,000	58,002	1,014,002	2,077,865
State Revenue Fund	176,432	5,923	182,355	175,298	9,337	184,635	366,990
Proprietary Fund	331,332	16,811	348,143	332,856	26,430	359,286	707,429
Total Funds	\$1,535,047	\$59,314	\$1,594,361	\$1,464,154	\$93,769	\$1,557,923	\$3,152,284

Agency Description

The Office of the Secretary of State is established by Article VI, Section 1 of the Montana Constitution and its duties are set forth in Section 2-15-401, MCA. The office reviews, maintains, and distributes records of business and non-profit organizations; files and maintains records of secured financial transactions; and maintains the official records of the executive branch and the acts of the legislature. As the chief election officer of the state, the Secretary of State is responsible for the application, operation, and interpretation of election laws except those pertaining to campaign finance. The office publishes the Administrative Rules of Montana and the Montana Administrative Register.

The 1991 legislature transferred State Agency Records Management to the Office of the Secretary of State from the Department of Administration. The office administers state agency records management functions including: establishing guidelines for inventorying, cataloging, retaining and transferring all public records of state agencies; establishing and operating the state records center for the purpose of storing and servicing public records not retained in office space; and operating a central microfilm unit on a cost recovery basis (section 2-6-203, MCA).

SECRETARY OF STATE'S OFFICE

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Microfilm Project	01	(\$25,000)		(\$25,000)			
2) Fireproof Document Storage	01	(45,000)		(45,000)			
Other							
3) Fund Balance Transfer	03				(20,000)		(20,000)
Administrative Code							
4) Fund Balance Transfer	05				(20,000)		(20,000)
Records Management							
Totals		(\$70,000)	\$0	(\$70,000)	(\$40,000)		(\$40,000)

The Executive Budget calls for general fund appropriation reductions totalling 3.4 percent of the biennial general fund appropriations in House Bills 2 and 509. This recommendation is \$53,614 lower than the reduction originally included in Executive Order 28/91, which totalled 6.2 percent excluding fund balance transfers.

1) Microfilm Project - The Executive Budget proposal eliminates fiscal 1992 funding for the microfilm budget modification approved by the 1991 legislature. The original Executive Order directing agency cuts included reduction of the fiscal 1993 amount as well. The agency has not expended any funds in this appropriation in anticipation of reductions required due to the general fund revenue shortfall. An expanded discussion of this budget modification follows the budget modification table.

2) Fireproof Document Storage - The Executive Budget proposal eliminates funding for fireproof document storage approved by the 1991 legislature. The agency has not expended any funds in this appropriation in anticipation of reductions required due to a revenue shortfall. An expanded discussion of this budget modification follows the budget modification table.

SECRETARY OF STATE'S OFFICE

- 3) Fund Balance Transfer--Administrative Code - In fiscal 1993, the Executive Budget proposes to transfer \$20,000 of state special revenue from the Administrative Code Account to the general fund. These funds represent agency payments for rules publication in the Montana Administrations. The account had a cash balance of \$12,247 as of November 30, with agency and private payments for MAR subscriptions. The account had a cash balance of \$12,247 as of November 30, with an outstanding loan of \$40,000 to the Records Management Bureau. Section 2-4-313(5), MCA, establishes the state special revenue account "...for paying the expenses of publication of ARM and the register." Because statute specifically directs that fees collected for the account are to fund certain expenses, this statute must be amended to allow transfer of state special revenue to the general fund.
- 4) Fund Balance Transfer--Records Management - Agencies pay the Secretary of State to microfilm and store agency records. The Executive Budget proposes to transfer \$20,000 of the proprietary fund balance to the general fund in fiscal 1993. The cash balance of the account was \$44,959 as of November 30, with an interentity loan payable of \$40,000.

General Fund Budget Modifications

Modification Description	Pgm	Fiscal 1992		Fiscal 1993	
		FTE	Approp.	FTE	Approp.
			Expended Thru Nov.	Percent Expended	
1) Microfilm Project	01		\$25,000	\$0	0.00%
2) Fireproof Document Storage	01		45,000	0	0.00%
3) SB 384 - Primary Election for 2-Mill Levy	01				
Totals		0.00	\$70,000	\$0	0.00%
				0.00	\$77,500

- 1) Microfilm Project - The legislature appropriated \$25,000 general fund each year to begin microfilming corporate documents. The Secretary of State is required to maintain two copies of all records or papers that must be deposited in his office by statute. One copy must be placed in a fireproof storage area and a second copy must be retained to prepare copies of such records (Section 2-6-111, MCA). The legislature funded a level of activity that if continued by subsequent legislatures would allow duplication of all corporate records in 7 to 8 years. The agency originally requested \$360,438 of general fund for the biennium to hire 3.0 FTE and purchase microfilming equipment to complete the project within three years. The appropriation was not expended in anticipation of the Governor's order to reduce spending due to a revenue shortfall.

SECRETARY OF STATE'S OFFICE

- 2) Fireproof Document Storage - The legislature appropriated \$45,000 general fund in fiscal 1992 to purchase fireproof cabinets for document storage. Currently the office maintains only one copy of many records, including corporate documents that are stored in open shelving stacked 14 feet high. This appropriation allows the Secretary of State to comply with the statutory requirements noted in budget modification 1. The appropriation was not expended in anticipation of the Governor's order to reduce spending due to a revenue shortfall.
- 3) SB 364 - Primary Election for 2-Mill Levy - This budget modification funds the cost of printing voter information pamphlets and publishing voter information in newspapers for the statewide election to authorize a statewide 2-mill property tax to fund vocational-technical education centers as required by Senate Bill 364. A general fund appropriation of \$52,500 is made in fiscal 1993.

COMMISSIONER OF POLITICAL PRACTICES

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	3.50		3.50	3.00		3.00	
Personal Services	96,365	5,381	101,746	85,201	8,560	93,761	195,507
Operating Expenses	71,731	0	71,731	26,212	0	26,212	97,943
Equipment	1,608	0	1,608	2,108	0	2,108	3,716
Total Costs	\$169,704	\$5,381	\$175,085	\$113,521	\$8,560	\$122,081	\$297,166
Fund Sources							
General Fund	169,704	5,381	175,085	113,521	8,560	122,081	297,166
Total Funds	\$169,704	\$5,381	\$175,085	\$113,521	\$8,560	\$122,081	\$297,166

Agency Description

The Office of the Commissioner of Political Practices was created in 1975 to monitor disclosures of financial contributions to and expenditures made by Montana political committees and candidates and to oversee and enforce the campaign practices law in Title 13, Chapters 35 through 37, MCA. The responsibilities of the office were expanded in 1980 by Initiative 85 to include the registration of lobbyists, the filing of their principals' financial reports, and the disclosure of elected officials' business and ownership interests.

Executive Budget Proposal

Description	Pgm	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Legal Fees and Court Costs	NA	(\$17,156)	\$0	(\$17,156)	\$0	\$0	\$0
Totals		(\$17,156)	\$0	(\$17,156)	\$0	\$0	\$0

COMMISSIONER OF POLITICAL PRACTICES

- 1) Legal Fees and Court Costs - The Executive Budget proposes to reduce the \$45,000 biennial appropriation for legal fees and court costs for a current case by \$17,156, or 38.1 percent.

General Fund Budget Modifications

Modification Description	Pgm	FTE	Fiscal 1992 Approp.	Expended Thru Nov.	Percent Expended	Fiscal 1993 - FTE	Approp.
1) Staff Termination Pay	NA	0.00	\$1,150	\$1,150	100.00%	0.00	\$550
2) Legal Fees and Court Costs	NA	0.00	45,000	2,720	6.04%	0.00	0
Totals		0.00	\$46,150	\$3,870	8.39%	0.00	\$550

- 1) Termination Pay - This modification is for \$1,700 termination pay, including accrued vacation and sick leave pay, for two staff members leaving during the 1993 biennium. One staff member, an administrative assistant, retired in October, 1991. The term of the Commissioner of Political Practices ends on December 31, 1992 (mid-fiscal year 1993).

- 2) Legal Fees and Court Costs - This modification adds \$45,000 general fund as a biennial appropriation for legal costs related to a current campaign practices investigation case. Through November, \$2,720 had been expended.

STATE AUDITOR'S OFFICE

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	70.00		70.00	70.00		70.00	
Personal Services	1,812,785	120,959	1,933,744	1,812,400	193,191	2,005,591	3,939,335
Operating Expenses	1,055,465	0	1,055,465	942,073	0	942,073	1,997,538
Equipment	86,170	0	86,170	23,965	0	23,965	110,135
Total Costs	\$2,954,420	\$120,959	\$3,075,379	\$2,778,438	\$193,191	\$2,971,629	\$6,047,008
<u>Fund Sources</u>							
General Fund	2,303,414	101,729	2,405,143	2,141,084	162,370	2,303,454	4,708,597
State Revenue Fund	501,444	10,184	511,628	500,766	16,592	517,358	1,028,986
Proprietary Fund	149,562	9,046	158,608	136,588	14,229	150,817	309,425
Total Funds	\$2,954,420	\$120,959	\$3,075,379	\$2,778,438	\$193,191	\$2,971,629	\$6,047,008

Agency Description

The Office of the State Auditor, established by Article VI, Section 1 of the Montana Constitution, has statutory responsibility to superintend the fiscal duties of the state and to keep an account of all state warrants. The auditor is both ex-officio commissioner of insurance and ex-officio commissioner of securities. The auditor is charged with the duty of licensing and regulating insurance companies and agents within the state, and with regulating and registering securities dealers. The auditor is director of the state employee payroll system and administers the bad debt collection function for state funds.

STATE AUDITOR'S OFFICE

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Central Mgt.-Vacancy Savings	01						
2) Computer System Replacement	01						
3) State Payroll-Vacancy Savings	02						
4) Insurance-Vacancy Savings	03						
5) Office Equipment-Insurance	03						
6) Securities-Vacancy Savings	04						
7) Office Equipment-Securities	04						
8) Fiscal Control-Vacancy Svgs.	10						
Totals							

1, 3, 4, 6, 8) Vacancy Savings - The Executive Budget proposal includes vacancy savings in all programs in the State Auditor's Office. There are no general reductions in operating expenses. The total agency reduction in personal services in this proposal is \$60,418 in fiscal 1992 and \$85,586 in fiscal 1993. This represents an added vacancy savings of 3.1 percent in fiscal 1992 and 4.2 percent in fiscal 1993 for the agency (House Bill 2 vacancy savings for this agency was 4.5 percent). The actual vacancy savings experienced by the agency in the last two completed fiscal years exceeded the total vacancy savings included in House Bill 2 and recommended in the Executive Budget proposal, but those savings were partially offset by pay increases for exempt staff above the budgeted pay plan. The agency has historically had high vacancy savings.

2) Computer System Replacement - This recommendation eliminates 6.9 percent of the biennial amount appropriated in Budget Modification # 1 discussed in the table below for computer system replacement. Nearly 75 percent of the fiscal 1992 appropriation has been expended and additional funds have been committed for the project.

5) Office Equipment - Insurance Program - This recommendation eliminates 82 percent of the fiscal 1992 appropriation for office equipment in Budget Modification # 3, discussed below. The new carpet has been purchased, but this proposal would eliminate funding for new chairs.

STATE AUDITOR'S OFFICE

7) Office Equipment - Securities - This recommendation eliminates 97 percent of the equipment appropriation in Budget Modification # 4 discussed below. The other 3 percent has already been expended.

General Fund Budget Modifications

Modification Description	Pgm	----- Fiscal 1992 -----			-- Fiscal 1993 --		
		FTE	Approp.	Expended Thru Nov.	Percent Expended	FTE	Approp.
1) Computer System Replacement	01		\$97,930	\$73,050	74.59%		\$52,070
2) Medicare Compliance Specialist	03	1.00	29,354	10,085	34.36%	1.00	27,304
3) Office Equipment - Insurance	03		5,420	2,830	52.21%		1,495
4) Office Equipment - Securities	04		4,300	140	3.26%		
Totals		1.00	\$137,004	\$86,105	62.85%	1.00	\$80,869

1) Computer System Replacement - This modification funds \$150,000 general fund for the final phase of replacing the current agency computer system. The original Wang system reached capacity in two years and is not compatible with other state agency systems. Together with \$40,000 appropriated in the 1991 biennium, the total cost of the system replacement will be \$190,000.

2) Medicare Compliance Specialist - This modification funds an additional position for a medicare compliance specialist. The 1989 legislature authorized this position as a one-time expense in the 1991 biennium to implement revisions to medicare supplemental insurance regulations. The position will be made permanent to administer new requirements and regulations required by federal laws on medicare supplemental insurance. In addition to salary and benefits, this modification includes \$7,793 for the biennium for operating expenses and \$2,700 for equipment. The position is currently filled.

3) Office Equipment - Insurance - This modification funds the replacement of 22 desk chairs, visitor chairs, and new carpet.

4) Office Equipment - Securities - This modification funds the following equipment: 1) portable personal copier, \$1,000; 2) camera, \$300; 3) document shredder, \$1,800; and 4) filing cabinets, \$1,200. The equipment will be used for securities investigations and examinations.

CRIME CONTROL DIVISION

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	18.00		18.00	18.00		18.00	
Personal Services	534,007	34,233	568,240	533,096	55,056	588,152	1,156,392
Operating Expenses	225,219	0	225,219	219,104	0	219,104	444,323
Equipment	14,297	0	14,297	6,085	0	6,085	20,382
Grants	3,255,918	0	3,255,918	3,282,918	0	3,282,918	6,538,836
Benefits and Claims	451,143	0	451,143	451,143	0	451,143	902,286
Total Costs	\$4,480,584	\$34,233	\$4,514,817	\$4,492,346	\$55,056	\$4,547,402	\$9,062,219
Fund Sources							
General Fund	486,644	20,194	506,838	502,036	35,121	537,157	1,043,995
State Revenue Fund	556,939	6,347	563,286	553,308	10,190	563,498	1,126,784
Federal Revenue Fund	3,437,001	7,692	3,444,693	3,437,002	9,745	3,446,747	6,891,440
Total Funds	\$4,480,584	\$34,233	\$4,514,817	\$4,492,346	\$55,056	\$4,547,402	\$9,062,219

Agency Description

The mission of the Crime Control Division is to promote public safety by strengthening the coordination and performance of the criminal and juvenile justice system and by increasing citizen and public official support for and involvement in criminal justice. The Crime Control Division was created by Section 2-15-2006, MCA. Under the direction of a supervisory Board of Crime Control appointed by the Governor, the Crime Control Division provides financial support, technical assistance, and supportive services to state and local criminal justice agencies. The board administers and awards several grant programs, including the Juvenile Justice and Delinquency Prevention Act, the Victim/Witness Assistance Act, the State and Local Law Enforcement Assistance Act, the Narcotics Control Assistance Program, and the State Crime Victims' Compensation program.

CRIME CONTROL DIVISION

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Operational Expense Reduction 01		(\$40,547)		(\$40,547)	(\$13,400)		(\$13,400)
2) Funding Switch-Federal Match 01					(29,573)	29,573	
Totals		(\$40,547)	\$0	(\$40,547)	(\$42,973)	\$29,573	(\$13,400)

1) Operational Expense Reduction - This reduction proposal is a direct cut of 8 percent of total general fund in fiscal 1992. The agency would reduce its central administration appropriation by the full amount, and would apply \$20,830 to vacancy savings and \$19,717 to operating expenses in fiscal 1992, and \$13,400 to vacancy savings in fiscal 1993. This would increase the vacancy savings for this agency from less than 0.5 percent applied in House Bill 2 to approximately 4 percent in fiscal 1992 and 3 percent in fiscal 1993.

2) Funding Switch-Federal Match on Drug Enforcement Programs - This proposal recommends reducing the general fund appropriation and increasing the federal fund appropriation for drug enforcement administrative matching funds to reflect a 75 percent federal match rather than the 50 percent rate used in establishing the fiscal 1993 appropriation. The federal government approved a one-year delay in increasing the state match rate to 50 percent. Under current law, the federal match rate will be 50 percent in fiscal 1994 and beyond, so this represents a one-time reduction of general fund.

CRIME CONTROL DIVISION

General Fund Budget Modifications

Modification Description	Pgm	FTE	Fiscal Approp.	Expended Thru Nov.	Percent Expended	FTE	Fiscal 1993 Approp.
1) Narcotics Control	01	1.00	\$27,000	Implemented	NA	1.00	\$54,000
2) Juvenile Justice	01		7,500	Implemented	NA		7,500
3) SB 379 - Parole Officer Standards	01		6,579	Implemented	NA		100
Totals		1.00	\$41,079	\$0	0.00%	1.00	\$61,600

1) **Narcotics Control** - This modification provides \$81,000 general fund for administration of the Drug Enforcement grant program. In addition, it includes \$9,203 federal funds for administration and \$1,835,000 in federal drug enforcement pass-through grant funds for the biennium. The administrative costs include the addition of 1.0 FTE for grant administration. The position is currently filled.

2) **Juvenile Justice** - These funds would be used for increased juvenile planning, advisory, and reporting services. The juvenile justice reporting system must be improved to comply with federal requirements. Funding for this modification is \$15,000 general fund, with \$42,000 in federal funds diverted from current level pass-through grant funds to administrative costs.

3) **Senate Bill 379 - Parole Officer Standards** - This modification adds \$6,679 general fund for the biennium to implement the provisions of Senate Bill 379, which provides peace officer status to probation and parole officers in the Department of Corrections and Human Services. The Crime Control Division must establish minimum standards of training for probation and parole officers.

HIGHWAY TRAFFIC SAFETY

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	8.50		8.50	8.50		8.50	
Personal Services	263,143	16,679	279,822	262,866	26,813	289,679	569,501
Operating Expenses	193,584	0	193,584	191,324	0	191,324	384,908
Equipment	3,000	0	3,000	3,000	0	3,000	6,000
Local Assistance	200,000	0	200,000	200,000	0	200,000	400,000
Grants	520,000	0	520,000	520,000	0	520,000	1,040,000
Total Costs	\$1,179,727	\$16,679	\$1,196,406	\$1,177,190	\$26,813	\$1,204,003	\$2,400,409
<u>Fund Sources</u>							
General Fund	199,000	0	199,000	199,000	0	199,000	398,000
State Revenue Fund	75,100	3,827	78,927	74,686	6,121	80,807	159,734
Federal Revenue Fund	905,627	12,852	918,479	903,504	20,692	924,196	1,842,675
Total Funds	\$1,179,727	\$16,679	\$1,196,406	\$1,177,190	\$26,813	\$1,204,003	\$2,400,409

Agency Description

The Highway Traffic Safety Division was established by Title 61, Chapter 2, MCA, to promote public safety, health, and welfare through efforts directed toward reducing death, injury, and property loss resulting from traffic accidents. Projects are developed and initiated in various levels of government primarily through federal grant funds provided through the division to ensure that a long-term, stable, and statewide program exists. Current program priorities include occupant protection and drinking and driving projects.

HIGHWAY TRAFFIC SAFETY

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) DUI Task Forces Pass-Through	36	(\$15,920)		(\$15,920)	(\$15,920)		(\$15,920)
Other							
2) Fund Transfer-DUI Task Forces	36				(400,000)		(400,000)
Totals		(\$15,920)	\$0	(\$15,920)	(\$415,920)	\$0	(\$415,920)

1) DUI Task Forces Pass-Through Distribution - The funds being reduced by this proposal are 8 percent of the driver's license reinstatement fees being collected and deposited into the general fund for distribution to counties with established drinking and driving prevention programs. Section 61-2-107, MCA, states that "The department shall deposit one-half of the fees collected under subsection (1) in the general fund to be used for funding county drinking and driving prevention programs as provided in 61-2-108." This language "earmarks" those funds, and even if the funds are withheld from distribution in fiscal 1992, they would accrue for later distribution to the counties. It would require legislative action to permanently divert the funds for other uses.

Further, Section 61-2-108, MCA states that "...the department shall transmit the county portion of the proceeds of the license reinstatement fees collected in that county to the county treasurer, as provided in 61-2-107(2)(a), at the end of each quarter." Since the statute specifies distribution on a quarterly basis, it would require legislative action if the funds are not going to be distributed on time.

2) Fund Transfer - DUI Task Forces - A \$50 driver's license reinstatement fee was enacted by the 1989 legislature, with fee revenues going to the general fund for distribution to counties with DUI prevention programs, as described above. The 1991 legislature doubled the fee to \$100 in House Bill 494, and provided that the fees from the increase were to be deposited into a state special revenue account, also for distribution to counties. The proceeds can be used for programs and facilities for minors, adult chemical dependency treatment programs, law enforcement training programs, and law enforcement equipment. Although the bill states the method and purpose of the distribution, there was no appropriation authority provided to the Highway Traffic Safety Division to transfer the funds to the counties. Without

HIGHWAY TRAFFIC SAFETY

appropriation authority, the funds will accumulate in the state special revenue account, but will not be distributed to the counties in the 1993 biennium.

The Executive Budget proposal recommends transfer of the entire fund balance in the state special revenue account to the general fund at the end of the 1993 biennium, estimated to be \$400,000. Since the funds are "earmarked" in section 61-2-107(2)(a), MCA for distribution to counties, it would require a statutory amendment in order to transfer the funds to the general fund.

If proposals 1) and 2) above are approved, 54 percent of the \$800,000 in biennial estimated revenues from driver's license reinstatement fees will be diverted from local distribution to the general fund.

DEPARTMENT OF JUSTICE

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	645.40		645.40	638.40		638.40	
Personal Services	18,770,874	1,150,604	19,921,478	18,886,769	1,838,554	20,725,323	40,646,801
Operating Expenses	6,888,607	0	6,888,607	6,250,219	0	6,250,219	13,138,826
Equipment	1,839,292	0	1,839,292	1,439,874	0	1,439,874	3,279,166
Debt Service	42,178	0	42,178	42,178	0	42,178	84,356
Total Costs	\$27,540,951	\$1,150,604	\$28,691,555	\$26,619,040	\$1,838,554	\$28,457,594	\$57,149,149
Fund Sources							
General Fund	11,635,646	440,271	12,075,917	11,625,721	741,750	12,367,471	24,443,388
State Revenue Fund	14,330,972	629,477	14,960,449	13,758,831	994,139	14,752,970	29,713,419
Federal Revenue Fund	992,180	49,415	1,041,595	653,232	50,825	704,057	1,745,652
Proprietary Fund	582,153	31,441	613,594	581,256	51,840	633,096	1,246,690
Total Funds	\$27,540,951	\$1,150,604	\$28,691,555	\$26,619,040	\$1,838,554	\$28,457,594	\$57,149,149

Agency Description

The Department of Justice, under the direction of the Attorney General, is responsible for statewide legal services and counsel, law enforcement, and public safety, as authorized in Section 2-15-501, MCA. The duties of the department include: 1) providing legal representation for the state and its political subdivisions in criminal appeals; 2) providing legal services and counsel for the state, county, and municipal agencies and their officials; 3) enforcing Montana traffic laws and registering all motor vehicles; 4) enforcing state fire safety codes and regulations; 5) assisting local law enforcement agencies in bringing offenders to justice; 6) managing a statewide system of death investigations and provide scientific analyses of specimens submitted by law enforcement officials, coroners, and state agencies; and 7) providing for the uniform regulation of all gambling activities in the State of Montana.

DEPARTMENT OF JUSTICE

Executive Budget Proposal

Description	Pgm	Fiscal 1992		Total Funds	Fiscal 1993		Total Funds
		General Fund	Other Funds		General Fund	Other Funds	
House Bill 2							
1) Motor Vehicle Div.-Operations	12	(\$288,275)		(\$288,275)			
2) HB 809-Fire Marshal Bur. Exp.	12	(90,667)		(90,667)			
3) Fund Switch-Drug Forfeitures	18	(8,385)		(8,385)	(36,376)		(36,376)
4) Fund Switch-Drug Investig.	18				(343,649)	343,649	
5) Extr./Transp. of Prisoners	30	(50,000)		(50,000)	(50,000)		(50,000)
Other Appropriation Bills							
6) SB 232-Salvage Vehicle Insp.	12	(42,750)		(42,750)	(57,000)		(57,000)
7) HB 579-Motor Vehicle Registr.	12	(51,144)		(51,144)	(67,032)		(67,032)
Other							
8) Fund Transfers-Agency Action	NA				(24,400)		(24,400)
9) Fund Tfr-Hwy. Patrol ID Cards	NA				(11,400)		(11,400)
10) Fund Tfr-Driver's Lic. Coll.	NA				(25,000)		(25,000)
Totals		(\$531,221)	\$0	(\$531,221)	(\$614,857)	\$343,649	(\$271,208)

1) Motor Vehicle Division - Operations - The Executive Budget proposal recommends a vacancy savings reduction of \$288,275 program has achieved efficiencies from automation of the vehicle registration system (House Bill 579 - see the discussion under "Other General Fund Appropriations", item 2 below) and delays in filling positions. The agency states that the savings should be permanent as a result of the automation. However, the Executive Budget Proposal does not recommend a similar savings in fiscal 1993.

2) HB 809 - Fire Marshal Bureau Expansion - The Executive Budget proposal recommends delayed implementation of Budget Modification # 5 discussed below. The recommended reductions would delay the hiring of authorized FTE, limiting funding to hiring only 1.5 FTE in January, 1992 (3.0 FTE were authorized), and increasing to 2.5 of the authorized 3.5 FTE in fiscal 1993. These reductions are 39 percent of the total budget modification appropriation for the biennium.

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- 3) Funding Switch - State Drug Forfeiture Funds - The Department of Justice has a drug forfeitures state special revenue account for the deposit of proceeds of property obtained from the seizure or forfeiture by state officials of property related to a criminal activity. House Bill 511 in the 1991 legislature statutorily appropriated up to \$125,000 each year from the account for enforcement of drug laws (Section 44-12-206(3), MCA). The Executive Budget proposal recommends a funding switch, using the existing balance in the account (\$8,385) for drug investigations in the Law Enforcement Services Division, and a corresponding reduction in the general fund appropriation. Since the funds in the state special revenue account are statutorily appropriated, no legislative action is required to use those funds.
- 4) Funding Switch - Special Investigation Drug Units - This proposal recommends reducing the general fund appropriation and increasing the federal fund appropriation for the state's western drug enforcement task force to reflect a 75 percent federal match (\$343,649) rather than 100 percent general fund support as appropriated in House Bill 2. Federal funding for the task force was expected to end in fiscal 1992, but continued 75 percent federal match funds now appear likely. Federal funds cannot be expected beyond fiscal 1993 under current federal law, so this represents a one-time reduction of general fund. The Executive proposal also recommends language stating that if the federal funds are not obtained in fiscal 1993, the general fund appropriation must be increased to fully fund the task force. This language imposes a contingent liability to the general fund of \$343,649.
- 5) Extradition and Transportation of Prisoners - The Executive Budget proposal recommends a \$50,000 (25.6 percent) per year reduction in the appropriation for expenses associated with transporting and extraditing prisoners to Montana detention centers. It should be noted that this program has required significant supplemental appropriations in each of the last two years. It will require that the Governor's Office closely screen requests for extradition and/or finding more economical means of transporting prisoners.
- 6) Senate Bill 232 - Salvage Vehicle Inspections - This recommendation eliminates the appropriation in Senate Bill 232, discussed in the "Other General Fund Appropriations" item # 1 below, delaying implementation of the statewide vehicle identification number (VIN) inspection program until after the 1993 biennium. This results in a one-time general fund savings of \$99,750. The agency has partially implemented the VIN program by upgrading an existing position in the Motor Vehicle Division to conduct VIN investigations.
- 7) House Bill 579 - Motor Vehicle Registration Automation - The Executive Budget proposal recommends an 8 percent reduction in the appropriation in House Bill 579, discussed below in the "Other General Fund Appropriations" section, item # 2. This would result in a delay in the timetable for full implementation of the automated vehicle registration system, and the funds would likely be requested in a later biennium to complete the project, making this only a temporary general fund reduction (\$118,176).
- 8) Fund Transfers by Agency Action - The Executive Budget proposal recommends transferring fund balances of two small state special revenue accounts administered by the Department of Justice to the general fund. They include approximately \$21,700 from the State Crime Lab special revenue account established to recover costs of services provided by the lab, and approximately \$2,700 in a driver improvement fees used to fund driver education courses provided by the state. The

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fund balances will be transferred in fiscal 1993 and do not require legislative action, as they were not established by statute.

9) Fund Transfer - Highway Patrol ID Cards - The Executive Budget proposal recommends amending Section 61-12-504, MCA, to authorize the transfer of the balance in the Highway Patrol ID Card state special revenue account to the general fund. The account receives the \$1 fee charged to defray the cost of issuing identification cards by the Highway Patrol Division. This transfer would provide a one-time addition to the general fund of \$11,400.

10) Fund Transfer - Driver's License Collections - The Executive Budget proposal recommends amending Section 61-5-121, MCA, to authorize the transfer of the balance in the Driver's License Collection state special revenue account to the general fund. The account receives 3.75 percent of the fee collected by the Department of Justice to defray the costs of issuing licenses. The transfer would provide a one-time addition to the general fund of \$25,000.

General Fund Budget Modifications

Modification Description	Pgm	Fiscal 1992			Fiscal 1993		
		FTE	Approp.	Expended Thru Nov.	FTE	Approp.	
1) Attorney - Indian Legal Jurisdiction	01	1.00	\$47,837	Implemented	1.00	\$43,239	
2) Litigation Costs	01		400,000	101,514			
3) HB 646 - Handicap Parking Cards	12		15,000	Implemented			2,500
4) HB 568 - Driver's License Stations	12	20.20	708,000	Implemented	20.20	710,000	
5) HB 809 - Fire Marshal Bureau Expansion	18	3.00	159,667	0	3.50	163,000	
6) HB 155 - County Attorney Salary Increase	19		136,000	Implemented		333,000	
7) Data Processing Air Conditioner	29		45,000	0		4,400	
Totals		24.20	\$1,511,504	\$101,514	24.70	\$1,256,139	

1) Indian Legal Jurisdiction - This modification provides \$91,076 general fund in the 1993 biennium to add a 1.0 FTE attorney to provide legal support with issues involving Indian legal jurisdiction. The litigation in Indian jurisdiction issues is expected to increase in the upcoming biennium, particularly with regard to water rights adjudication on the reservations. The position was filled in October 1991.

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- 2) Litigation Costs - This modification provides \$400,000 general fund in the Indian Legal Jurisdiction Bureau as a biennial appropriation for costs associated with the Crow coal litigation and water rights negotiations.
- 3) HB 646 - Handicap Parking Cards - This modification provides additional funding for handicap parking display cards so that handicapped persons may receive more than one parking privilege display card if they own more than one vehicle. The costs of the increase are offset by a \$1 fee for issuance of the cards, which is deposited in the general fund.
- 4) HB 568 - Driver's License Stations - This modification adds \$1,418,000 general fund and 20.2 FTE in the 1993 biennium to establish express stations in licensing facilities for driver's license renewals, to reduce customer delays at licensing stations statewide. Revenue for this appropriation was provided in House Bill 568, which increased the driver's license fee by \$1 per year, adding \$1,418,000 for the biennium to the general fund. This program has been fully implemented and the 20.2 additional FTE have been hired.
- 5) HB 809 - Fire Marshal Bureau Expansion - This modification adds \$322,667 general fund and 3.0 FTE (increasing to 3.5 FTE in fiscal 1993) to increase the current staff in the Fire Marshal Bureau. Current staffing has been unable to meet the statutory requirements for the frequency of fire safety inspections and other related statutory responsibilities. House Bill 809 provides for an increase in the fire insurance premium tax from 3/4 of 1 percent to 1 percent to fund the bureau expansion. The increased tax will generate \$322,667 in the 1993 biennium, which will be deposited in the general fund. None of the FTE have been hired to date.
- 6) HB 155 - County Attorney Salary Increase - House Bill 155 generally revised the salary of county attorneys, making the base salary for a full-time county attorney \$50,000 per year, effective July 1, 1991. The previous average salary for a full-time county attorney (fiscal 1991) was \$46,500 per year. Additionally, the allowed annual cost-of-living increase was raised from 70 percent of the last previous year's consumer price index to 100 percent. This modification provides \$469,000 general fund for the 1993 biennium, which represents the general fund impact of the salary increase over current law. House Bill 155 provided the funding for the increase by raising the monetary charge for a misdemeanor conviction from \$10 to \$15 and reallocating justices' courts fees distributed to the general fund from 23 percent to 27.88 percent. The increase will generate an estimated \$483,000 in the 1993 biennium.
- 7) Data Processing Air Conditioner - This modification provides \$49,400 general fund in the 1993 biennium for replacement of the air-conditioning system for the Department of Justice computer system at the Helena National Guard Armory. The agency has repaired the old system and does not plan to expend approximately 45,000 of this appropriation, as a new air conditioner will not be purchased.

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Other General Fund Appropriations

Bill Number and Description	Pgm	FTE	Fiscal 1992 Approp.	Expended Thru Nov.	Percent Expended	FTE	Fiscal 1993 Approp.
1) SB 232 - Salvage Vehicle Inspection	12	1.00	\$42,750	\$0	0.00%	1.00	\$57,000
2) HB 579 - Motor Vehicle Registration	12	12.00	639,300	Implemented	NA	12.00	837,900
Totals		13.00	\$682,050	\$0	0.00%	13.00	\$894,900

1) SB 232 - Salvage Vehicle Inspection - Senate Bill 232 provides statutory authority for the inspection, identification, and management of salvage motor vehicles to the Department of Justice. It requires surrender to the department of certificates of ownership of vehicles determined to be a salvage vehicle and provides for retitling of a salvage vehicle. The bill also creates a vehicle number inspection program and imposes a vehicle number inspection fee. The fee proceeds are deposited in the general fund, and the Department was appropriated the funds from those fees for 1.0 FTE to establish and administer the salvage vehicle program, at a cost of \$99,750 for the biennium. The position has not been filled.

2) HB 579 - Motor Vehicle Registration - House Bill 579 generally revises the state motor vehicle registration laws and creates an automated vehicle registration and renewal system. The Department of Justice received an appropriation of \$1,477,200 general fund and 12.0 FTE to develop and operate the statewide motor vehicle computer system, to include automated mail renewals. The additional expenditure authority is to be funded by increased registration fees for motor vehicles, boats, snowmobiles, and off-highway vehicles, which will generate \$1.8 million general fund in the 1993 biennium. As of November 30, 2.0 FTE had been hired and several other of the new positions were in the hiring process.

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Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	1,957.78		1,957.78	1,960.08		1,960.08	
Personal Services	58,640,187	3,656,286	62,296,473	58,591,144	5,807,992	64,399,136	126,695,609
Operating Expenses	226,815,381	0	226,815,381	230,455,302	0	230,455,302	457,270,683
Equipment	6,704,024	0	6,704,024	6,361,430	0	6,361,430	13,065,454
Capital Outlay	4,162,400	0	4,162,400	4,161,700	0	4,161,700	8,324,100
Grants	276,000	0	276,000	276,000	0	276,000	552,000
Transfers	14,208,404	0	14,208,404	17,149,771	0	17,149,771	31,358,175
Debt Service	14,219	0	14,219	14,219	0	14,219	28,438
Total Costs	\$310,820,615	\$3,656,286	\$314,476,901	\$317,009,566	\$5,807,992	\$322,817,558	\$637,294,459
Fund Sources							
General Fund	0	12,148	12,148	0	19,484	19,484	31,632
State Revenue Fund	151,834,729	2,522,508	154,357,237	156,937,352	3,702,398	160,639,750	314,996,987
Federal Revenue Fund	144,847,268	822,141	145,669,409	146,228,428	1,674,120	147,902,548	293,571,957
Proprietary Fund	14,138,618	299,489	14,438,107	13,843,786	411,990	14,255,776	28,693,883
Total Funds	\$310,820,615	\$3,656,286	\$314,476,901	\$317,009,566	\$5,807,992	\$322,817,558	\$637,294,459

Agency Description

The 1991 legislature passed Senate Bill 164, which merged the former Department of Highways, the Transportation and Aeronautics Divisions of the Department of Commerce, and the Motor Fuels Division from the Department of Revenue into a new Department of Transportation. The goal of the reorganization was to improve Montana's multi-modal transportation planning by consolidating into a single agency all transportation-related functions into one department to offer a unified vision of Montana's transportation needs, promote economic growth, and provide "one-stop shopping" for transportation related services.

The new department was not created until July 1, 1991, and the 1991 legislature provided appropriations for the affected departments and divisions under the former organizational structure. Since the legislative leadership announced intent to reintroduce House Bill 2 in the special session and to make amendments from that bill, the departments are shown in their original form to comply with House Bill 2. Budget and appropriation data for the Aeronautics and Transportation (renamed Rail and Transit in the reorganization) Divisions are shown in the discussion for the Department

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of Commerce, and the Motor Fuel Tax Division is shown in the Department of Revenue. However, Executive budget proposals for those divisions are included in the discussion below for the Department of Transportation as well as in the narrative for the original departments.

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Transportation Coordination	50	(\$33,297)		(\$33,297)	(\$31,353)		(\$31,353)
2) McCarty Farms Litigation	50	(14,517)		(14,517)			
Other Appropriation Bills							
3) HB 77-Hwy. Patrol Retirement	01	(27,600)		(27,600)	(18,640)		(18,640)
Other							
4) Coal Tax Allocation to RTF	N/A				(4,572,000)		(4,572,000)
Totals		(\$75,414)	\$0	(\$75,414)	(\$4,621,993)	\$0	(\$4,621,993)

1) Transportation Coordination - The Executive Budget proposes an 8 percent cut in the Transportation Division operations appropriation (excluding the McCarty Farms biennial appropriation) for each fiscal year. The entire reduction would be applied to personal services. Vacancy savings of \$33,297 in fiscal year 1992 and \$31,353 in fiscal year 1993 would be applied, increasing the vacancy savings from 4 percent each year as applied in House Bill 2 to nearly 12 percent. The agency will absorb most of the vacancy savings by the transfer of 1.0 FTE to another program supported by other fund sources.

2) McCarty Farms Litigation - This proposal reduces the biennial appropriation for McCarty Farms litigation costs by 8 percent, from \$180,000 to \$165,483. Language in House Bill 2 required the agency to seek to recover all general fund expenditures plus interest from any settlement in this case.

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3) House Bill 77 - Highway Patrol Retirement - This reduction proposal is an 8 percent cut of the general fund appropriation in House Bill 77, as discussed in the table below. Any reduction of general fund from this appropriation would be replaced by highways special revenue funds, which are statutorily appropriated to meet the required retirement fund payments.

4) Coal Tax Allocation to RTF - Section 15-35-108(2), MCA, allocates 12 percent of coal severance tax collections to the highway reconstruction trust (RTF) account in the state special revenue fund through fiscal 2003. These funds are used for 100 percent state funded highway construction projects. The Executive Budget proposal recommends diversion of the fiscal 1993 coal tax allocation (estimated to be \$4,572,000) to the general fund. This would require an amendment to statute and would reduce the intended fiscal 1993 RTF program revenue resources by 21 percent. However, without a corresponding reduction in the Department of Transportation Construction Program appropriation for the RTF program, the agency could still expend the full appropriation by substituting additional highways special revenue funds.

Based on DOT projections, the cash balance in the combined highways special revenue accounts (which includes the RTF account) will be spent down from \$90 million to \$27.9 million at the end of the 1993 biennium. Diverting these funds would reduce the projected balance to \$23.3 million at the end of the 1993 biennium. If current spending levels continue through the 1995 biennium and no additional revenue sources are added, the account will have a negative cash balance in fiscal 1994.

Other General Fund Appropriations

Bill Number and Description	Pgm	Fiscal 1992			Fiscal 1993		
		FTE	Approp.	Expended Thru Nov.	FTE	Approp.	
1) HB 77 - Highway Patrol Retirement	01		\$345,000	\$0		\$233,000	
Totals		0.00	\$345,000	\$0	0.00	\$233,000	

1) HB 77 - Highway Patrol Retirement Benefits - House Bill 77 increased the retirement benefits payable in the Highway Patrol retirement system, and appropriated general fund money to supplement highways special revenue funds, which are statutorily appropriated to fund highway patrol retirement benefits. The general fund appropriation of \$578,000 was inadvertently appropriated to the Department of Transportation to administer the retirement program, but should have been appropriated to the Department of Justice. The appropriation authority was administratively transferred to the Department of Justice. None of the general fund appropriation has been expended to date, but agency projections are

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that the general fund allocation for the biennium will be insufficient to meet fund requirements. Any potential shortfall will be made up from the highways special revenue account, which effectively makes this recommendation a funding substitution of highways special revenue funds for general fund.

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Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
PTE	683.41		683.41	683.08		683.08	
Personal Services	16,283,792	1,156,823	17,440,615	16,271,013	1,843,958	18,114,971	35,555,586
Operating Expenses	4,465,197	0	4,465,197	4,450,944	0	4,450,944	8,916,141
Equipment	224,441	0	224,441	141,908	0	141,908	366,349
Local Assistance	15,000	0	15,000	15,000	0	15,000	30,000
Debt Service	268,572	0	268,572	268,572	0	268,572	537,144
Total Costs	\$21,257,002	\$1,156,823	\$22,413,825	\$21,147,437	\$1,843,958	\$22,991,395	\$45,405,220
<u>Fund Sources</u>							
General Fund	18,835,880	1,049,459	19,885,339	18,834,416	1,675,117	20,509,533	40,394,872
State Revenue Fund	1,155,385	28,602	1,183,987	1,135,616	45,330	1,180,946	2,364,933
Federal Revenue Fund	297,789	13,205	310,994	297,581	21,251	318,832	629,826
Proprietary Fund	967,948	65,557	1,033,505	879,824	102,260	982,084	2,015,589
Total Funds	\$21,257,002	\$1,156,823	\$22,413,825	\$21,147,437	\$1,843,958	\$22,991,395	\$45,405,220

Agency Description

The Department of Revenue (DOR), authorized by Section 2-15-1301, MCA, collects revenue from and enforces regulations governing approximately 31 state taxes and fees. The department is also responsible for regulating the sale and distribution of alcoholic beverages in the state. The department is organized into eight divisions with overall agency direction and management coordinated from the Director's Office.

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Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Director's Office Reduction	01	(\$76,100)		(\$76,100)	(\$73,900)		(\$73,900)
2) Centralized Services Division Personal Services Reduction	02	(72,000)		(72,000)	(75,000)		(75,000)
3) Data Processing Division Personal Services Reduction	03	(90,000)	10,000	(80,000)	(90,000)		(90,000)
4) Income Tax Division	06	(32,200)		(32,200)	(136,595)		(136,595)
5) Corporation and Natural Resources Tax Division	07	101,954		101,954	114,123		114,123
Other							
6) Liquor Enterprise Transfer	05	(1,000,000)		(1,000,000)			
7) Revenue Estimate Increase Income and Miscellaneous Tax Division	06	(560,000)		(560,000)	(957,547)		(957,547)
8) Revenue Estimate Increase Corporation and Natural Resource Tax Division	07	(1,916,250)		(1,916,250)	(3,083,750)		(3,083,750)
Totals		(\$3,644,596)	\$10,000	(\$3,634,596)	(\$4,302,669)	\$0	(\$4,302,669)

1) Director's Office Reduction - The Executive Budget reduces the general fund appropriation to the Director's Office by \$150,000 over the biennium. However, part of that reduction has been offset by a fiscal 1992 transfer of \$35,000 liquor proprietary authority from the Liquor Licensing Bureau to the Director's Office. Unspent liquor funds could be transferred to the general fund.

Department staff say the following specific actions will be taken as a result of the reduction: 1) elimination of an annual \$35,000 contract with the Department of Justice for hearings examiner services for the Liquor Division; 2) Holding

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vacant a personnel technician position for savings of \$23,000 each year; and 3) reduction in printing of \$8,500 annually by eliminating publication of the Taxpayer's Digest, the Taxpayer's Bill of Rights pamphlet, and reducing the number of copies of the department biennial report and tax expenditure report. Other general fund savings include holding positions vacant, vehicle maintenance reductions, and eliminating hiring a summer intern. Department staff indicate that the transfer of liquor funds will not offset any of the planned reductions. All of the reduction will be shown as personal services reductions, even though operating cut backs are planned.

2) Centralized Services Division Personal Services Reduction - The general fund appropriation of the Centralized Services Division will be reduced by \$147,000 over the biennium. In order to absorb the reduction the division will maintain a reduced staff level in the Accounting Bureau. One FTE will continue to work part time and a 0.5 grade 6 position will remain unfilled. The division anticipates about \$10,100 in additional vacancy savings due to staff turnover. These reductions will increase total vacancy savings for this division to 13.7 percent in fiscal 1992 and 14 percent in fiscal 1993 of the personal services appropriations in House Bills 2 and 509 (pay plan). The division has transferred an FTE to the Corporation and Natural Resources Division in order to implement the revenue enhancement proposal (see items 5 and 8).

3) Data Processing Division Personal Services Reduction - The Executive Budget reduces the Data Processing Division general fund appropriation by \$180,000 over the biennium. The decrease is partially offset by a \$10,000 increase in state special revenue in fiscal 1992 for payment of computer services performed for the Department of Transportation during the transfer of the Motor Fuels Tax Division. The division will not hire temporary data entry FTE during peak work periods (the equivalent of 4.5 FTE in fiscal 1992 and 5.0 in fiscal 1993) in order to absorb the reduction. These reductions will increase total vacancy savings for this division to 11 percent in fiscal 1992 and 12 percent in fiscal 1993 of the personal services appropriations in House Bills 2 and 509 (pay plan). The division has transferred an FTE to the Corporation and Natural Resources Division in order to implement the revenue enhancement proposal (see items 5 and 8).

4) Income Tax Division - The general fund appropriation of the Income Tax Division is reduced by \$168,795 over the biennium. The division will absorb the reduction in fiscal 1992 through various efficiencies including lower mainframe computer costs due to the 24 percent rate reduction instituted by the Department of Administration at the beginning of fiscal 1992. (This rate decrease is five percent greater than the rate reduction anticipated and included in agency budgets by the 1991 legislature.)

In fiscal 1993, the division plans to reduce assistance to taxpayers in order to achieve savings. The division will: 1) eliminate a grade 13 FTE that conducts taxpayer assistance and training clinics (ABC classes) for \$28,750; 2) reduce travel by \$37,445; 3) eliminate the toll fee taxpayer assistance telephone line for \$10,000; 4) eliminate printing of return envelopes for tax payment for \$3,400; 5) forego purchase of two replacement vehicles for \$12,000; and 6) reduce vehicle operating costs by \$4,000. In addition to these specific reductions, the division expects to save \$41,000 in mainframe computer processing costs due continuation of the fiscal 1991 rate reduction.

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- 5) Corporation and Natural Resource Tax Division - The Executive Budget proposes an increase of \$216,077 general fund over the biennium in the Corporation and Natural Resources Tax Division. The additional general fund would support a more intensive audit schedule to generate additional one-time revenue (see item 8). Other programs have transferred 2.0 FTE to the division and 2.0 vacant audit FTE have been filled. (The FTE transferred to the division replace 2.0 division audit FTE removed by the department in its budget request that was adopted by the 1991 legislature.) The Office of Budget and Program Planning has already processed general fund transfers from other department programs in fiscal 1992 of \$14,200 travel authority and \$18,000 equipment authority to the implement the intensive audit schedule.
- 6) Liquor Enterprise Transfer - The Executive Budget proposes to transfer \$1 million in liquor enterprise funds to the general fund. The department transferred \$7.75 million in liquor funds to the general fund in fiscal 1991--\$4 million in profits and \$3.75 million due to liquor bailment (wholesalers own the liquor inventory in the state warehouse until the inventory is shipped to a state liquor store). The one-time savings of \$3.75 million resulted from the change in state ownership of the warehouse inventory to wholesaler ownership.
- 7) Revenue Estimate Increase--Income and Miscellaneous Tax Division - The Income and Miscellaneous Tax Division expects to generate about \$1.5 million additional general fund revenue over the biennium. The division will: 1) change cross match files in order to identify nonfilers and potential audit candidates; 2) have field agents serve banks with tax liens rather than mailing such liens; and 3) concentrate audit efforts on general fund revenue sources (such as income, withholding, telephone company license, and freight line taxes) and divert audit time from other taxes. The Revenue Oversight Committee (ROC) will consider inclusion of this anticipated additional revenue in its amendment of HJR24.
- 8) Revenue Estimate Increase--Corporation and Natural Resource Tax Division -The Corporation and Natural Resource Tax Division will increase audit activity in order to generate about \$5 million in additional general fund biennial revenue. The audit revenue is a one-time infusion as these are audits that would have been done in the 1995 biennium. ROC will consider inclusion of this anticipated additional revenue in its amendment of HJR24.

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General Fund Budget Modifications

Modification Description	Pgm	----- Fiscal 1992 -----			-----		-- Fiscal 1993 --	
		FTE	Approp.	Expended Thru Nov.	Percent Expended	FTE	Approp.	
1) Replacement Equipment	06		\$66,389	Implemented	NA		\$27,614	
2) Accounts Receivable	06	3.00	91,931	Implemented	NA	3.00	78,141	
3) Revenue Collection	06	3.00	91,713	Implemented	NA	3.00	78,723	
4) Computer Processing Costs	06		98,384	Implemented	NA		72,417	
5) Cyclical Reappraisal Costs	08		22,000	0	0.00%		249,000	
6) CMAS Costs	08		333,281	Implemented	NA		276,281	
Totals		6.00	\$703,698		0.00%	6.00	\$782,176	

1) **Equipment Replacement** - This budget modification in the Income Tax Division funds replacement of aging equipment, including eight computer terminals, and one high-speed printer each year, and three vehicles in fiscal 1992. The department has begun purchasing replacement equipment.

2) **Accounts Receivable** - This budget modification adds 3.0 FTE and funding to enhance collection efforts of income and business taxes owed to the state. The modified also includes \$11,562 in fiscal 1992 for purchase of equipment. The department has hired two phone collectors and a legal collector.

3) **Revenue Collection** - This budget modification funds 3.0 FTE each year of the biennium to enhance revenue collection by performing selective audits and cross matching federal and state income tax files to identify persons who do not file state income taxes and other returns that will be forwarded to the accounts receivable collectors. The FTE have been hired.

4) **Mainframe Computer Processing** - This budget modification provides additional funds for computer processing in the Income Tax Division. The division has expended a total of \$219,644 for computer processing as of November 30, 1991.

5) **Cyclical Reappraisal Costs** - This budget modification adds \$271,000 general fund to complete the current reappraisal cycle by December 31, 1992. In fiscal 1992, \$22,000 is allocated to gasoline purchases. The remaining funds (\$249,000) would be spent in fiscal 1993 including: \$108,000 for mailing of assessment notices, \$109,000 to print assessment forms, and \$32,000 for more staff travel. A separate appropriation was established to track this modification, however, no expenditures have been drawn against it.

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6) CAMAS - This budget modification supports a contract for system support, increased network fees, and maintenance contracts. The second year of the biennium is lower as the Office of Budget and Program Planning has directed the department to develop in-house support for CAMAS (Computer-Assisted Mass Appraisal System) and the amount of the annual system support contract is reduced accordingly effective January 1, 1993. The department testified during the 1989 legislature that CAMAS could be developed and supported within current level budgets. However, due to consultant delays, institution of the new network fee proposal, and needed upgrades for the mini computer, costs are greater than anticipated. The department has paid network fees for CAMAS computers since July 1, 1991, and signed a contract for system support. Although a separate appropriation was established for this budget modification, the department is allocating CAMAS expenditures to the current level program appropriation.

Other General Fund Appropriations

Bill Number and Description	Pgm	FTE	Approp.	Fiscal 1992 Expended Thru Nov.	Percent Expended	FTE	Fiscal 1993 Approp.
1) HB 959 - Payment of Estimated Tax When Filing Extension	06	3.00	\$108,225	Implemented	NA	3.00	\$78,705
2) HB 340 - Revising Taxation of Private Forest Land	08		980,838	166,990	17.03%	3.00	
Totals		3.00	\$1,089,063	\$166,990	15.33%	6.00	\$78,705

1) HB 959 - Payment of Estimated Tax When Filing Extension - This bill requires taxpayers to pay a majority of their tax liability when filing for an extension. The appropriation funds 3.0 FTE, equipment, and operating expenses to implement this bill. The agency has hired all 3.0 FTE and incurred operating and equipment costs. The department has submitted paper work to process expenditures related to House Bill 959 against the appropriation. Section 17-7-138(3), MCA, requires that operating budget for money appropriated by the general appropriations act must be separate from money appropriated by any other act except the pay plan bill. The expenditures for House Bill 959 are currently being allocated against the appropriation contained in House Bill 2.

2) HB 340 - Revising Taxation of Private Forest Lands - This bill generally revises the taxation of private forest lands. The department is contracting with the University of Montana (UM) to determine the forest productivity value of forest lands. The department expects to hire 3.0 FTE in fiscal 1993. While the bill does not specify that the appropriation is authorized for fiscal year 1993, it allows the remaining balance in the appropriation to be encumbered for payment

DEPARTMENT OF REVENUE

in fiscal year 1994. The department has negotiated a contract with UM and an initial payment has been made to allow UM to purchase equipment needed to fulfill contract requirements.

DEPARTMENT OF ADMINISTRATION

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	318.14		318.14	322.14		322.14	
Personal Services	9,371,203	607,423	9,978,626	9,450,714	984,893	10,435,607	20,414,233
Operating Expenses	25,225,683	0	25,225,683	25,701,191	0	25,701,191	50,926,874
Equipment	1,795,405	0	1,795,405	1,701,124	0	1,701,124	3,496,529
Transfers	732,269	0	732,269	740,820	0	740,820	1,473,089
Debt Service	4,835,647	0	4,835,647	4,288,997	0	4,288,997	9,124,644
Total Costs	\$41,960,207	\$607,423	\$42,567,630	\$41,882,846	\$984,893	\$42,867,739	\$85,435,369
<u>Fund Sources</u>							
General Fund	3,428,337	147,921	3,576,258	3,376,874	238,659	3,615,533	7,191,791
State Revenue Fund	746,344	30,990	777,334	757,323	50,095	807,418	1,584,752
Capital Projects Fund	773,667	0	773,667	784,648	0	784,648	1,558,315
Proprietary Fund	37,011,859	428,512	37,440,371	36,964,001	696,139	37,660,140	75,100,511
Total Funds	\$41,960,207	\$607,423	\$42,567,630	\$41,882,846	\$984,893	\$42,867,739	\$85,435,369

Agency Description

The Department of Administration (DOA) provides centralized services for state agencies in the following areas: 1) accounting and financial reporting; 2) capital complex building maintenance and capitol security; 3) state bonded indebtedness administration; 4) state treasury services; 5) insurance coverage and Tort Claims Act administration; 6) systems development, telecommunications, and data processing; 7) personnel management and labor relations; 8) purchasing and surplus property administration; 9) duplicating, mail, and messenger services; and 10) records management. The department also administers the state Long Range Building Program, state employee group benefits program, and the various state retirement systems. In addition, the Board of Examiners, State Tax Appeal Board, State Compensation Mutual Insurance Fund, Public Employees' Retirement Board, and Teachers' Retirement Board are attached to the department for administrative purposes only.

DEPARTMENT OF ADMINISTRATION

Executive Budget Proposal

Description	Pgm	Fiscal 1992		Fiscal 1993		Total	
		General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
House Bill 2							
1) Input/Output Operator	03	(\$4,000)		(\$4,000)		(\$4,000)	(\$4,000)
2) Eliminate Printing of	03	(8,390)		(8,390)		(11,710)	(11,710)
3) Selected Hardcopy Reports	06	(10,100)		(10,100)		(6,541)	(6,541)
4) Printing and Procurement							
Vacancy Savings	08	(30,000)		(30,000)		(30,000)	(30,000)
4) Reductions in Security and							
Maintenance							
5) General Reduction	23	(30,000)	30,000		45,273	(45,273)	45,273
6) General Reduction	37	(53,024)		(53,024)		(52,288)	(52,288)
Other							
7) Fund Balance Transfer	06	(46,000)		(46,000)		(46,000)	(46,000)
Photocopy Pool							
8) Fund Balance Transfer	07	(100,000)		(100,000)			
Computer Services and							
Telecommunications							
Totals		(\$281,514)	\$30,000	(\$251,514)	\$45,273	(\$195,812)	(\$150,539)

1) Input/Output Operator - The Accounting Program will no longer contract for the services of an input/output operator from the Information Services Division (ISD) during the day time. Other program staff will assume the duty of providing the mainframe computer with daily instructions to operate Accounting and Management Support Division systems including SBAS. This reduction is expected to generate \$8,000 general fund savings over the biennium.

2) Eliminate Printing of Selected Hardcopy Reports - The Accounting Program will no longer print a back up copy of daily SBAS transaction and appropriation reports. Agencies will have to pay for duplicate copies of reports. The program

DEPARTMENT OF ADMINISTRATION

will print fewer hard copies of supplemental finance schedules and will substitute microfiche copies instead. This proposal is expected to save about \$20,000 general fund over the biennium.

- 3) Printing and Procurement Vacancy Savings - Vacant positions in the Printing and Procurement Division will be held open longer to generate vacancy savings above the amount included in House Bill 2. The program projects a biennial general fund savings of \$16,641. This reduction will increase vacancy savings about 3 percent in fiscal 1992 and about 2 percent in fiscal 1993, for a total of 7 and 6 percent respectively of the personal services appropriations in House Bills 2 and 509 (pay plan).
- 4) Reductions in Security and Maintenance - General Services Division has reduced general surveillance by 38 hours per week (about one full time security guard). Maintenance projects will be curtailed. This proposal is expected to save \$60,000 general fund over the biennium.
- 5) Funding Switch - The Personnel Division will shift general fund supported activities related to the Employee Benefits Program and Professional Development Center to proprietary funds, for a biennial general fund savings of \$75,273.
- 6) General Reduction - The operating budget for the State Tax Appeal Board (STAB) will be reduced \$105,312 general fund over the biennium. The program has extra authority due to the fiscal 1991 appropriated base used by the executive in developing the 1993 biennium budget. The 1991 appropriation for STAB was about \$123,000 higher than fiscal 1990 actual expenditures. The legislature adopted the executive recommendation for STAB which used the fiscal 1991 appropriation as the base year. The reduction will be in personal services.
- 7) Fund Balance Transfer--Photocopy Pool - A transfer of \$46,000 of photocopy pool proprietary funds will be deposited to the general fund each year of the biennium. These funds are income from photocopy machine rental to state agencies. Funds are available for transfer due to the favorable rates obtained in the most recent photocopy equipment term contract negotiated by the department. Previously, the department owned some of the "top end" copiers in the photocopy pool. Eight of these copiers were budgeted for replacement in House Bill 2. Under the new term contract, it is more cost effective for the vendor to replace and own these machines than for the department to replace the machines. The department anticipates transferring the cash budgeted for replacement of these machines to the general fund during the latter part of December.
- 8) Fund Balance Transfer--Computer Services and Telecommunications - A one-time transfer of \$100,000 proprietary funds from the computer services and telecommunications accounts to the general fund will be made in fiscal 1992. These funds are payments from state agencies for computer and telecommunications services. Consolidation of the computer services and telecommunications internal service accounts has improved cash flow, which reduces capital reserve requirements, allowing the transfer of funds, according to department staff. The department anticipates processing the transfer during the latter part of December.

DEPARTMENT OF ADMINISTRATION

Other General Fund Appropriations

Bill Number and Description	Pgm	-- Fiscal 1992 --			-- Fiscal 1993 --		
		FTE	Approp.	Percent Expended Thru Nov.	FTE	Approp.	Percent Expended
1) HB 268 - Appellate Defender Commission	01	2.00	\$100,000	\$ 367	2.00	\$100,000	0.37%
2) HB 30 - Montana Educational Telecommunications Network	07	1.00	300,000	8,291	1.00	300,000	2.76%
3) HB 509 - State Employee Pay Plan	23		73,200	26,564			36.29%
Totals		3.00	\$473,200	\$35,222	3.00	\$415,000	7.44%

1) HB 268 - Appellate Defender Commission - This bill establishes an Appellate Defender Commission that is administratively attached to the Department of Administration. The commission is appropriated \$100,000 each year of the biennium from the assessments levied on vehicles by counties and remitted to the state to fund district court criminal reimbursement costs (Section 3-5-901(2), MCA). The appropriation for the commission must be funded prior to reimbursement of district court criminal costs if the funds from vehicle assessments are insufficient to pay district court criminal costs. The five members of the commission have been appointed by the Governor and will serve three-year staggered terms. An office of appellate defender is created to staff the commission and to carry out other duties assigned by law. Recruitment of both FTE has been initiated and the commission expects to fill one of the positions near the first of 1992. The commission is to develop a system of indigent appellate defense services, propose to the Supreme Court minimum standards for all trial and appellate public defenders, and compile and keep current a statewide roster of attorneys eligible for appointment as appellate defense counsel for indigent defendants. The act terminates July 1, 1993.

2) HB 30 - Montana Educational Telecommunications Network - This bill establishes a state telecommunications network to provide instructional and educational course work and materials through telecommunications delivery to students and teachers in the Montana public school system and Montana university system. The bill appropriates up to \$300,000 general fund to the Information Services Division (ISD) each year of the biennium if cash or equipment in the amount of \$150,000 is available each year from other or federal funds. If matching funds are not available, the general fund appropriation is reduced in proportion to other funds availability and the reduction must revert to the general fund. The division is also appropriated an amount equal to administrative costs for technical support for the network; development of standards of compatibility for the network; assistance with procurement, installation, maintenance, and operation of end-terminal equipment and facilities of the network; and maintenance of cost and usage records and a billing system for user agencies.

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The FTE has not been hired, although the agency is in the recruitment process. The application deadline for schools to request funding for telecommunications network projects was November 15, 1991. The Office of Public Instruction (OPI) is reviewing the applications and ISD staff expects to receive OPI recommendations at the beginning of 1992.

3) HB 509 - State Employee Pay Plan - The Personnel Division is appropriated \$73,200 general fund over the biennium to make necessary changes to the payroll, personnel, and position control (PPP) system to implement the provisions of House Bill 509. Changes that were immediately necessary have been made. Some reports generated by the PPP system still need to be modified to reflect changes made by House Bill 509.

STATE COMPENSATION MUTUAL INSURANCE FUND

<u>Budget Item</u>	<u>HB 2</u> <u>Fiscal</u> <u>1992</u>	<u>Pay Plan</u> <u>Fiscal</u> <u>1992</u>	<u>Total</u> <u>Fiscal</u> <u>1992</u>	<u>HB 2</u> <u>Fiscal</u> <u>1993</u>	<u>Pay Plan</u> <u>Fiscal</u> <u>1993</u>	<u>Total</u> <u>Fiscal</u> <u>1993</u>	<u>Total</u> <u>Biennium</u> <u>1992-93</u>
<u>FTE</u>	218.90		218.90	217.90		217.90	
Personal Services	5,354,955	364,087	5,719,042	5,326,811	569,694	5,896,505	11,615,547
Operating Expenses	3,971,873	0	3,971,873	3,813,399	0	3,813,399	7,785,272
Equipment	188,893	0	188,893	127,138	0	127,138	316,031
Benefits and Claims	110,953,000	0	110,953,000	118,060,000	0	118,060,000	229,013,000
Transfers	2,941,701	0	2,941,701	2,959,054	0	2,959,054	5,900,755
Total Costs	\$123,410,422	\$364,087	\$123,774,509	\$130,286,402	\$569,694	\$130,856,096	\$254,630,605
<u>Fund Sources</u>							
State Revenue Fund	25,082	1,655	26,737	0	0	0	26,737
Proprietary Fund	123,385,340	362,432	123,747,772	130,286,402	569,694	130,856,096	254,603,868
Total Funds	\$123,410,422	\$364,087	\$123,774,509	\$130,286,402	\$569,694	\$130,856,096	\$254,630,605

Agency Description

The State Compensation Mutual Insurance Fund (State Fund), established January 1, 1990, provides liability insurance for workers' compensation and occupational disease. The State Fund may not refuse coverage to any employer (Section 39-71-431, MCA).

Effective July 1, 1990, the State Fund was divided into two businesses by the legislature. The old business is responsible for administration and payment of claims for injuries that occurred before July 1, 1990. The State Fund actuary estimates that these claims will total \$207 million. A tax of 0.28 percent was imposed on each employer's covered payroll to fund the old business. The new business is responsible for claims for injuries occurring on or after July 1, 1990. It is funded through premiums charged to employers purchasing workers' compensation insurance from the State Fund. Statutes require the State Fund to set premium rates at a level sufficient to fund the insurance program, including the costs of administration, benefits, and adequate reserves.

The State Fund is attached to the Department of Administration for administrative purposes. Management of the State Fund is vested in a five-member board of directors appointed by the Governor. The State Fund is subject to laws governing state agencies, unless the State Fund is specifically exempted from compliance with that law.

STATE COMPENSATION MUTUAL INSURANCE FUND

Executive Budget Proposal

The Executive Budget proposes no changes in this agency's budget.

PUBLIC EMPLOYEES' RETIREMENT BOARD

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	20.00		20.00	20.00		20.00	
Personal Services	518,860	37,201	556,061	517,936	59,067	577,003	1,133,064
Operating Expenses	705,142	0	705,142	433,526	0	433,526	1,138,668
Equipment	1,566	0	1,566	1,704	0	1,704	3,270
Total Costs	\$1,225,568	\$37,201	\$1,262,769	\$953,166	\$59,067	\$1,012,233	\$2,275,002
<u>Fund Sources</u>							
Non-expendable Trust	1,225,568	37,201	1,262,769	953,166	59,067	1,012,233	2,275,002
Total Funds	\$1,225,568	\$37,201	\$1,262,769	\$953,166	\$59,067	\$1,012,233	\$2,275,002

Agency Description

The Public Employees' Retirement Division (PERD) of the Department of Administration administers most of the state employee retirement systems including: Public Employees', Game Wardens', Highway Patrol, Judges', Sheriffs', Municipal Police Officers', Firefighters', Unified Retirement Systems and the Volunteer Firefighters' retirement systems (Title 19, Chapters 3, 5, 6, 7, 8, 9, 12 and 13, MCA). It also administers the Federal-State Social Security Agreement as defined in Title II, Section 218 of the Social Security Act and Title 19, Chapter 1, MCA. The administration and operation of the retirement systems are governed by rules adopted by the Public Employees' Retirement Board (Section 2-15-1009, MCA). Board members, appointed by the Governor for five year terms, consist of three public employees active in the retirement system, one retired employee, and two members at large.

PUBLIC EMPLOYEES' RETIREMENT BOARD

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
Other							
1) Social Security Interest Contribution	01	(\$110,964)		(\$110,964)	(\$28,000)		(\$28,000)
Totals		(\$110,964)		(\$110,964)	(\$28,000)		(\$28,000)

1) Social Security Interest The interest earnings on state social security payments will be transferred to the general fund. The Social Security Program of the Public Employees' Retirement Division collected social security payments from political subdivisions and the state, and remitted payment to the federal government until fiscal 1987 when federal law governing such collections changed. Interest earnings accrued on collections prior to transfer to the federal government funded the program. The June 1986 special session passed a law transferring \$2 million in social security interest to the general fund and changing statute to require that interest not needed to pay social security obligations would be transferred to the general fund.

PERD staff state social security interest has not been transferred to the general fund since the 1986 legislation was passed for two reasons. First, federal audits have required payments from or refunds to employers and interest has been earned on such transfers/payments. Federal audits have not yet been concluded for three years of state administration, so there could be additional transactions and interest accrued. Second, in fiscal 1987 the federal government made an assessment against Montana public employers for social security payments on part-time employees. PERD is contesting the assessment, but has held interest in the account instead of transferring it to the general fund in the federal government prevails in this issue. The division plans to make the fiscal 1992 fund transfer in the latter part of December.

TEACHERS' RETIREMENT BOARD

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	11.50		11.50	11.50		11.50	
Personal Services	284,635	21,406	306,041	284,278	33,920	318,198	624,239
Operating Expenses	360,386	0	360,386	280,835	0	280,835	641,221
Equipment	20,582	0	20,582	4,489	0	4,489	25,171
Total Costs	\$665,703	\$21,406	\$687,109	\$569,602	\$33,920	\$603,522	\$1,290,631
Fund Sources							
Non-expendable Trust	665,703	21,406	687,109	569,602	33,920	603,522	1,290,631
Total Funds	\$665,703	\$21,406	\$687,109	\$569,602	\$33,920	\$603,522	\$1,290,631

Agency Description

The Teachers' Retirement System (TRS) administers retirement, disability, and survivor benefits for all state teachers and their beneficiaries (Title 19, Chapter 4, MCA). The Teachers' Retirement Board, comprised of six members, is responsible for the administration of the system (Section 2-15-1010, MCA). The board is composed of the Superintendent of Public Instruction and five members appointed by the Governor. To assist in fulfilling its duties, the board employs a full-time staff.

Executive Budget Proposal

The Executive Budget proposes no changes in this agency's budget.

DEPARTMENT OF MILITARY AFFAIRS

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	99.75		99.75	99.75		99.75	
Personal Services	2,539,371	181,085	2,720,456	2,541,849	288,583	2,830,432	5,550,888
Operating Expenses	2,872,234	0	2,872,234	2,684,343	0	2,684,343	5,556,577
Grants	564,000	0	564,000	540,000	0	540,000	1,104,000
Benefits and Claims	2,280	0	2,280	2,280	0	2,280	4,560
Total Costs	\$5,977,885	\$181,085	\$6,158,970	\$5,768,472	\$288,583	\$6,057,055	\$12,216,025
Fund Sources							
General Fund	2,200,045	70,041	2,270,086	1,993,823	112,430	2,106,253	4,376,339
State Revenue Fund	32,172	0	32,172	41,169	0	41,169	73,341
Federal Revenue Fund	3,745,668	111,044	3,856,712	3,733,480	176,153	3,909,633	7,766,345
Total Funds	\$5,977,885	\$181,085	\$6,158,970	\$5,768,472	\$288,583	\$6,057,055	\$12,216,025

Agency Description

The Department of Military Affairs oversees all activities of the Army and Air National Guard, Disaster and Emergency Services Division, and Veterans' Affairs Division. The department is administered by the Adjutant General and his staff, as provided for in Section 2-15-1202, MCA. The department manages a joint federal-state program that keeps in readiness trained and equipped military organizations for the Governor in the event of a state emergency and the President in the event of a national emergency. Federal agencies control the military strength and mobilization missions of the Montana Guard. The department also plans for and coordinates state responses in disaster and emergency situations (Title 10, Chapter 3, MCA). The department manages and cooperates with state and federal agencies in providing statewide services for discharged veterans and their families (Title 10 Chapter 2, MCA).

DEPARTMENT OF MILITARY AFFAIRS

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Director's Office Reduction	01				(\$5,000)		(\$5,000)
2) Army Guard Program Reductions	12	(10,200)		(10,200)	(17,700)		(17,700)
3) Funding Switch	12				(40,000)	40,000	
4) Reduce Repair and Maintenance	12	(57,425)		(57,425)			
Other							
5) Fund Balance Transfer	NA		(183,431)	(183,431)		(40,000)	(40,000)
Totals		(\$67,625)	(\$183,431)	(\$251,056)	(\$62,700)	\$0	(\$62,700)

1) Director's Office Reduction - The Director's Office will reduce its fiscal 1993 operating appropriation by \$5,000. The bulk of the reduction will be \$3,000 in travel. The legislature added funds for the Adjutant General to rent a car from the state motor pool instead of using his personal car for instate travel. The department will attempt to get federal funding to support instate travel for the Adjutant General and forego motor pool car rental. Repair and maintenance of office equipment will be reduced by \$2,000. The maintenance contracts for some personal computers and other office equipment will be allowed to lapse in fiscal 1993.

2) Army National Guard Program Reductions - The general fund appropriation of the Army National Guard Program will be reduced \$10,200 in fiscal 1992 and \$17,700 in fiscal 1993. Officers' clothing allowance will be reduced \$10,200 each year, the full amount budgeted for such expenditures. Section 10-1-207 (2), MCA, directs that on April 1 of each year that uniformed and equipped officers must receive a uniform allowance.

Expenditures for awards, ribbons, and medals for state recognition of achievement by guard personnel will be reduced by \$2,000, one half the amount expended in fiscal 1991. Printing will be reduced by \$2,000. Travel will be reduced by \$3,500. The program will no longer support the cost of guard personnel attending the national guard association meetings (last year two people were sponsored). The travel for supervisors and architects to inspect armories will be reduced (\$1,000 to \$1,500 of the travel reduction).

DEPARTMENT OF MILITARY AFFAIRS

- 3) Funding Switch - General fund supported communications costs in the Army National Guard Program will be reduced by \$40,000. The department has indicated federal program intent to fund communications costs for all federal personnel, which should offset the general fund reduction. The general fund will support communications costs of state personnel only, including post office box rental and advertising costs.
- 4) Repair and Maintenance Reduction - A budget modification for repair and maintenance in the Army National Guard Program approved by the 1991 legislature will be reduced by \$57,425. Renovation to armories will be limited to painting and roof repair. Repairs to kitchens and heating systems and lead removal at firing ranges will not be undertaken.
- 5) Fund Balance Transfer - Federal reimbursement funds of \$183,431 will be transferred to the general fund over the biennium. As of the mid-December, \$153,000 of the reimbursement funds had been transferred. These funds are federal payments to the state for costs associated with Federal Air and Army National Guard programs that are paid by general fund and reimbursed by the federal government. A cash balance built up over the years due to the timing of bill payment and receipt of federal funds. Federal national guard contract administration charges of \$40,000 will be deposited to the general fund in fiscal 1993.

General Fund Budget Modifications

Modification Description	Pgm	Fiscal 1992			Fiscal 1993		
		FTE	Approp.	Expended Thru Nov.	FTE	Approp.	
1) Army Guard Repair and Maintenance	12		\$186,000	\$0			
2) Environmental Program	12	1.00	9,275	Implemented			
3) Air Guard Maintenance and Repair	13		14,000	6,046	1.00	\$9,228	
Totals		1.00	\$209,275	\$6,046	1.00	\$9,228	

- 1) Army Guard Repair and Maintenance - This modification appropriates \$186,000 general fund over the biennium in addition to base level expenditures of about \$503,000 to repair and maintain Army Guard facilities. Funding for repair and maintenance of the facilities is determined by the type of facility. Upkeep for armories is 100 percent state funded; shop and annex repair is funded 75 percent federal and 25 percent state; and maintenance of training sites is 100 percent federally funded. The repairs to be financed with the modified budget request include: rebuilding kitchens, painting the exterior and interior of armories, roof maintenance, lead removal at firing ranges, and heating system maintenance.

DEPARTMENT OF MILITARY AFFAIRS

None of the appropriation has been expended as maintenance work has concentrated on projects that are fully federally funded during the end of the federal fiscal year (which is also the first quarter of the state fiscal year).

2) Environmental Program. This modification adds 1.0 FTE and \$50,374 total funds in fiscal 1992 and \$50,061 in fiscal 1993. The FTE is part of an environmental unit comprised of 4.0 federal employees and 2.0 state FTE. The department reallocated 1.0 current level FTE to the environmental program in addition to the FTE approved in the budget modification. The unit will allow the department to comply with federal and state environmental laws, such as regulation of underground storage tanks and hazardous waste management. General fund supports \$9,275 of the fiscal 1992 cost and \$9,228 of the fiscal 1993 cost. The FTE has been hired.

3) Air Guard Maintenance and Repair - This budget modification appropriates \$14,000 general fund and \$42,000 federal authority over the biennium for maintenance projects at Gore Hill. Projects include: repair and replace fire hydrants; seal road cracks; repair and paint roofs; clean, paint, and repair walls; and replace interior lock sets. Current level expenditures for repair and maintenance were about \$132,000 in fiscal 1990.

Other General Fund Appropriations

Bill Number and Description	Pgm	FTE	Fiscal 1992 Approp.	Expended Thru Nov.	Percent Expended	FTE	Fiscal 1993 Approp.
1) HB 179 - Upgrade and Maintain Veterans' Cemetery	31		\$22,806	\$12,299	53.93%		\$22,795
Totals		0.00	\$22,806	\$12,299	53.93%	0.00	\$22,795

1) HB 179 - Upgrade and Maintain Veterans' Cemetery - This act appropriates \$45,601 general fund over the biennium to upgrade and maintain the state veterans' cemetery.



HUMAN SERVICES

5301 00 00000

DEPARTMENT OF HEALTH & ENVIRONMENTAL SCIENCES

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	384.94		384.94	386.94		386.94	
Personal Services	11,798,476		12,559,014	11,317,717		12,551,269	25,110,283
Operating Expenses	22,090,726	760,538	22,090,726	17,446,797	1,233,552	17,446,797	39,537,523
Equipment	711,025	0	711,025	240,963	0	240,963	951,988
Grants	10,511,241	0	10,511,241	11,520,010	0	11,520,010	22,031,251
Benefits and Claims	7,144,657	0	7,144,657	7,142,026	0	7,142,026	14,286,683
Total Costs	\$52,256,125	\$760,538	\$53,016,663	\$47,667,513	\$1,233,552	\$48,901,065	\$101,917,728
<u>Fund Sources</u>							
General Fund	3,606,644	118,557	3,725,201	3,599,368	189,578	3,788,946	7,514,147
State Revenue Fund	12,813,236	182,498	12,995,734	7,702,783	296,454	7,999,237	20,994,971
Federal Revenue Fund	34,392,520	329,834	34,722,354	34,979,316	530,658	35,509,974	70,232,328
Proprietary Fund	1,443,725	129,649	1,573,374	1,386,046	216,862	1,602,908	3,176,282
Total Funds	\$52,256,125	\$760,538	\$53,016,663	\$47,667,513	\$1,233,552	\$48,901,065	\$101,917,728

Agency Description

The Department of Health and Environmental Sciences (DHES) was created to protect and promote the health of the people of Montana through the implementation of public health programs and the enforcement of public health laws and regulations. The department is also responsible for ensuring that a safe and healthful environment exists in Montana through implementation of environmental protection programs and enforcement of environmental laws and regulations. Department staff is responsible for: 1) assessment of health care and environmental needs and problems in cooperation with local and private sources; 2) development and implementation of programs designed to meet health and environmental needs and alleviate problems; and 3) continual evaluation of current public health and environmental programs. The department administers the maternal and child health block grant, the preventive health block grant, and categorical grants from the federal government. Examples of categorical grants include federal funding for solid and hazardous waste, and air and water quality programs. The department is provided for in Section 2-15-2101, MCA, and its general powers and duties are specified in Section 50-1-202, MCA.

DEPARTMENT OF HEALTH & ENVIRONMENTAL SCIENCES

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total	General Fund	Other Funds	Total
House Bill 2							
1) Director's Office	01	(\$8,495)	\$0	(\$8,495)	(\$8,495)	\$0	(\$8,495)
2) Legal Charges	01	(6,632)	0	(6,632)	(6,632)	0	(6,632)
3) Vital Statistics Bureau	02	(34,544)	34,544	0	(61,000)	61,000	0
4) Chemistry Laboratory	02	(16,625)	16,625	0	(16,625)	16,625	0
5) Public Health Laboratory	02	(8,093)	8,093	0	(8,093)	8,093	0
6) Air Quality Bureau	03	(53,525)	53,525	0	(53,525)	53,525	0
7) Occupational Health	03	(7,775)	7,775	0	(7,851)	7,851	0
8) Food and Consumer Safety	03	(14,912)	0	(14,912)	(15,055)	0	(15,055)
9) Solid Waste Program	04	(16,433)	16,433	0	(16,433)	16,433	0
10) Subdivisions	05	(9,282)	0	(9,282)	(9,282)	0	(9,282)
11) Subdivisions Pay Exceptions	05	(611)	0	(611)	(1,080)	0	(1,080)
12) Health Planning	06	(1,451)	0	(1,451)	0	0	0
13) Family Planning Bureau	07	(4,000)	0	(4,000)	(4,000)	0	(4,000)
14) MIAMI Program	07	(13,639)	0	(13,639)	(13,639)	0	(13,639)
15) Perinatal Program	07	(4,346)	0	(4,346)	(4,346)	0	(4,346)
16) End Stage Renal Disease	08	(18,500)	0	(18,500)	(18,500)	0	(18,500)
17) Licensing and Certification	09	(79,153)	0	(79,153)	(58,561)	0	(58,561)
Other Appropriation Bills							
18) HB 876 - MIAMI Council	07	(1,120)	0	(1,120)	0	0	0
Other							
19) CERCLA/EQPF Fd Balance Trsf	04	0	0	0	(1,000,000)	0	(1,000,000)
Totals		(\$299,136)	\$136,995	(\$162,141)	(\$1,303,117)	\$163,527	(\$1,139,590)

DEPARTMENT OF HEALTH & ENVIRONMENTAL SCIENCES

The Executive Budget is proposing that the general fund appropriation in all programs be reduced between 4 and 15 percent, with most programs reduced 8 percent. Exceptions to the reduction were made for the director's salary and related indirect assessments, the Board of Health, any program with a maintenance of effort or matching requirement or other federal requirement that would not be met if a reduction were made, and the pass-through funds to Shodair Hospital for genetics activities (which are offset by a charge on all health insurers).

- 1) Director's Office - The Executive Budget proposes a reduction in the Medical/Dental Unit of 15 percent each year, which would be met through vacancy savings on the medical advisor position. The position is funded as 1.0 FTE, but will only be working part-time.
- 2) Legal Charges - The 1991 legislature added general fund in a budget modification to allow general funded programs to pay for legal service costs charged by the department's legal unit. The Executive Budget proposes reducing the \$82,837 appropriation by 8 percent each year. The department had expended 38 percent of the total fiscal 1992 appropriation through November, 1991.
- 3) Vital Statistics - The Records and Statistics Bureau provides file searches and copies of birth and death certificates to the public, for which the department is authorized in statute to charge no less than \$5. This revenue is used to offset total expenses of the bureau. The Executive Budget proposes increasing the fee from the present \$5 per copy to \$10 and replacing general fund with the additional revenue generated. No legislative action is required to raise the fee.
- 4) and 5) Chemistry and Public Health Laboratories - The Executive Budget proposes general reductions of 8 percent each year in both the Chemistry and Public Health Laboratories, replaced with laboratory fee revenue. The department is authorized in statute to charge fees commensurate with the actual cost of the services provided. The 1991 legislature required the department to study the feasibility of funding the laboratories entirely with fee revenue, except as needed to provide testing for general funded department programs.
- 6) Air Quality Bureau - General fund in this bureau will be reduced by 15 percent each year and replaced with additional fee revenue generated from assessments on pollution sources, authorized by the 1991 legislature. In addition to providing program support, the general fund is used to meet maintenance of effort requirements on the bureau's Environmental Protection Agency (EPA) grant, which provides over one-half of the bureau's total funding. The maintenance of effort will be met with the remaining general fund and fee revenue. The bureau received an approximately 70 percent increase in funding in the 1993 biennium over the actual fiscal 1990 expenditure level.
- 7) and 8) Occupational Health and Food and Consumer Safety Bureaus - A general fund reduction of 4 percent per year would be made in both of these bureaus. The Food and Consumer Safety Bureau reduction would be met through general program

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reduction. The reduction in the Occupational Health Bureau would be offset by asbestos project permit fees and civil penalties income. The fees and their expenditure by the department are currently authorized in statute.

9) Solid Waste Program - General fund, which provides approximately 26 percent of the program's total funding, would be reduced by 8 percent each year and replaced with landfill fee income. The department was authorized to charge fees in the 1993 biennium to landfill operators to fund a program expansion to implement additional waste disposal regulations, which resulted in a total increase in the appropriation of approximately 290 percent over actual fiscal 1990 expenditures.

10, 11, and 12) Subdivisions, Subdivisions Pay Exceptions, and Health Planning - The Subdivisions Program would be reduced by 4 percent, and funding for pay exceptions granted to certain environmental positions and the Health Planning Bureau will be reduced by 8 percent. The reductions will be met through vacancy savings. Because these savings are not anticipated in the second year in the Health Planning Bureau, reductions would be made in fiscal 1992, only.

13) Family Planning - General fund in the Family Planning Bureau, which totals \$49,776 each year, is used to supplement federal grants to family planning organizations. The grants will be reduced by 8 percent each year. The department has expended or obligated 92 percent of the fiscal 1992 appropriation through November, 1991.

14) MIAMI Program - This appropriation, which was added in a budget modification by the 1991 legislature, is used to contract with providers for services designed to ensure that mothers and children receive quality maternal and child health services. The Executive Budget is proposing that the appropriation be reduced by 8 percent each year, resulting in a reduction in program grants. The department has expended or obligated 86 percent of the fiscal 1992 appropriation through November, 1991.

15) Perinatal Program - The Executive Budget proposes that the general fund appropriation be reduced by 8 percent each year. The reduction would be met through general program reductions and vacancy savings.

16) End Stage Renal Disease - This \$125,000 per year appropriation, which is used to provide payments to persons suffering from chronic end stage renal disease, would be reduced by 14.8 percent each year. The department has expended the entire \$125,000 appropriation in each of the last five fiscal years, and had expended 47 percent of the fiscal 1992 appropriation through November, 1991.

17) Licensing and Certification Bureau - The department would reduce total general fund, which is approximately 22 percent of the total appropriation in fiscal 1992 and 24 percent in fiscal 1993, by approximately 15 percent in fiscal 1992 and 10 percent in fiscal 1993. The general fund is used to support state licensure activities and to match federal funds for medicaid certification activities for all health care providers. If general fund is not sufficient to

DEPARTMENT OF HEALTH & ENVIRONMENTAL SCIENCES

adequately match all federal medicaid funds, language in House Bill 2 authorizes the department to seek a supplemental appropriation. This bureau's fiscal 1992 general fund appropriation was increased approximately 50 percent over actual fiscal 1990 expenditures.

18) HB 876 - MIAMI Council - The Executive Budget is proposing that this \$14,000 biennial appropriation to expand the MIAMI Program to include morbidity review of births involving low birthweight babies be reduced by 8 percent. The department had obligated 90 percent of these funds through November, 1991.

19) CERCLA/EOPF Fund Balance Transfer - The Executive Budget proposes that a total of \$1 million be transferred from either or both the Hazardous Waste CERCLA account or the Environmental Quality Protection Fund (EQPF) in fiscal 1993. The CERCLA account receives 12 percent of the interest from the Resource Indemnity Trust (RIT) and is used to support various environmental programs within the department and to match federal environmental program funds. The department is also authorized in statute to add CERCLA funds via budget amendment to match federal Superfund program funds, as needed. The EOPF receives 4 percent of the interest on the RIT (which is used to support the State Superfund Program in the Solid and Hazardous Waste Bureau) and all penalties, damages, and cost recoveries from parties responsible for causing environmental emergencies. These funds are used to respond to environmental emergencies. The total fund balance in both accounts at the end of fiscal 1991 totals \$2,328,848. In fiscal 1991, the CERCLA account received total revenues of \$1,152,269 against total expenditures of \$1,141,146, for a net income of \$11,123. The EOPF received total revenues of \$1,186,966, with corresponding expenditures of \$842,393, for a net income to the account of \$344,573. Montana statute specifies that both of these accounts must be used to support a variety of environmental activities. Legislative action changing the statutes is required to deposit any funds from either account in the general fund.

General Fund Budget Modifications

Modification Description	Pgm	Fiscal 1992			Fiscal 1993		
		FTE	Approp.	Expended Thru Nov.	FTE	Approp.	
1) Legal Services Charge System	01	0.00	\$82,897	\$31,376	0.00	\$82,897	
2) Specialist Pay Exceptions - SW	04	0.00	13,725	0	0.00	13,491	
3) Specialist Pay Exceptions - WQB	05	0.00	7,647	0	0.00	7,647	
4) Subdivisions	05	1.00	44,396	Implemented	NA	40,213	
5) MIAMI Program	07	0.00	171,468	147,500	86.02%	169,608	
6) Federal Nursing Home Reform	09	15.00	47,681	Implemented	NA	64,101	
7) Fed Nursing Home Ref - Hearings	09	0.00	10,275	Implemented	NA	13,700	
Totals		16.00	\$378,079	\$178,876	47.31%	\$391,657	

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- 1) Legal Unit Charge System - Beginning in the 1993 biennium, the Legal Unit is funded from charges made to the programs using its services. General fund was added each year to pay for legal service costs charged to agency programs supported with general fund.
- 2) Specialist Pay Exceptions SW - This modification includes funding for pay plan exceptions and related indirect assessments for environmental specialists in the Solid and Hazardous Waste Bureau. The total appropriation, the balance of which is federal and state special revenue, is \$239,188 in fiscal 1992 and \$236,391 in fiscal 1993. The general fund supports the pay exceptions for personnel in the Solid Waste Program. While the pay exceptions are in place, the current level appropriation has been sufficient to fund all increases due to current position vacancies. Consequently, no expenditures from the budget modification have been made.
- 3) Specialist Pay Exceptions WOB - This modification includes funding for pay plan exceptions and related indirect assessments for environmental specialists in the Water Quality Bureau. The total appropriation, the balance of which is federal and state special revenue, is \$125,845 in fiscal 1992 and \$126,508 in fiscal 1993. The general fund supports the pay exceptions for personnel in the Subdivisions Program. While the pay exceptions are in place, the current level appropriation has been sufficient to fund all increases due to current position vacancies. Consequently, no expenditures from the budget modification have been made.
- 4) Subdivisions - 1.0 FTE was added to the Subdivisions program to review subdivisions plans and to ensure that plans are followed. The position has been filled. The department is authorized to collect no more per parcel than the actual subdivisions review costs. Income generated is deposited to the general fund to offset costs of the program.
- 5) MIAMI Program - The MIAMI program, which is designed to ensure that mothers and children receive quality maternal and child health services, was increased in contract services. The program is totally funded with general fund, which would be used by program contractors to match federal funds.
- 6) Federal Nursing Home Reform - This modification adds 15.0 FTE and related operating expenses to continue implementation of new programs and expanded certification requirements contained in the federal Omnibus Budget and Reconciliation Act (OBRA) of 1987. These positions were originally added via budget amendment in fiscal 1991 and have all been filled. This modification also includes \$802,065 in fiscal 1992 and \$724,616 in fiscal 1993 of federal funds. A portion of the general fund is used to match a portion of these federal funds.
- 7) Federal Nursing Home Reform - Hearings - Federal regulations require the department to conduct residents' rights violation hearings. Additional funds were added to allow the department to contract for assistance in conducting the hearings. These positions were originally added via budget amendment in fiscal 1991 and have all been filled. This modification also includes \$126,727 in fiscal 1992 and \$123,302 in fiscal 1993 of federal funds. The general fund is used to match a portion of these federal funds.

DEPARTMENT OF HEALTH & ENVIRONMENTAL SCIENCES

Other General Fund Appropriations

Bill Number and Description	Pgm	FTE	Approp.	Expended Thru Nov.	Percent Expended	FTE	Fiscal 1993 Approp.
1) HB 696 - Genetics Program	07	0.00	\$1,069,299	\$801,975	75.00%	0.00	\$0
2) HB 876 - MIAMI Program	07	0.00	14,000	12,600	90.00%	0.00	0
Totals		0.00	\$1,083,299	\$814,575	75.19%	0.00	\$0

1) House Bill 696 - appropriates \$1,069,299 of general fund over the biennium for continuation of the genetics program. The department contracts with Shodair Hospital to provide testing, counseling, and education to parents and prospective parents. The general fund appropriation is offset by a fee of \$.70 for each Montana resident insured under any individual or group disability or health insurance policy. These fees are deposited in the general fund.

2) House Bill 876 - provides a biennial appropriation to the department to expand the MIAMI program to include morbidity review of births involving low birthweight babies.

DEPARTMENT OF LABOR & INDUSTRY

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	639.00		639.00	639.00		639.00	
Personal Services	16,839,489	1,204,388	18,043,877	16,822,255	1,918,713	18,740,968	36,784,845
Operating Expenses	8,341,463	0	8,341,463	8,123,343	0	8,123,343	16,464,806
Equipment	332,546	0	332,546	267,066	0	267,066	599,612
Grants	15,804,704	0	15,804,704	16,555,799	0	16,555,799	32,360,503
Benefits and Claims	423,224	0	423,224	394,028	0	394,028	817,252
Transfers	126,517	0	126,517	124,485	0	124,485	251,002
Total Costs	\$41,867,943	\$1,204,388	\$43,072,331	\$42,286,976	\$1,918,713	\$44,205,689	\$87,278,020
<u>Fund Sources</u>							
General Fund	762,128	19,864	781,992	730,552	32,516	763,068	1,545,060
State Revenue Fund	2,818,842	169,999	2,988,841	2,772,985	254,828	3,027,813	6,016,654
Federal Revenue Fund	34,987,285	872,945	35,860,230	35,597,246	1,406,287	37,003,533	72,863,763
Proprietary Fund	3,299,688	141,580	3,441,268	3,186,193	225,082	3,411,275	6,852,543
Total Funds	\$41,867,943	\$1,204,388	\$43,072,331	\$42,286,976	\$1,918,713	\$44,205,689	\$87,278,020

Agency Description

The Department of Labor and Industry, provided for in Section 2-15-1701, MCA, serves as an employment agency, collects and disburses state unemployment funds, provides training, and oversees federal Job Training Partnership Act (JTPA) grants. The department also enforces state wage and hour laws, provides for apprenticeships, hears classification and unemployment insurance disputes, enforces state and federal anti-discrimination in employment laws, and performs workers' compensation regulatory duties.

DEPARTMENT OF LABOR & INDUSTRY

Executive Budget Proposal

Description	Pgm	Fiscal 1992		Fiscal 1993		Total Funds
		General Fund	Other Funds	General Fund	Other Funds	
House Bill 2						
1) Silicosis Administration	04	\$ (11,199)	\$0	(11,139)	\$0	(\$11,139)
2) Human Rights Commission	08	(27,806)	0	(28,632)	0	(28,632)
Other						
3) UI Fund Balance Transfer	NA	(1,500,000)		(1,500,000)		
Totals		\$ (1,539,005)	\$0	(\$39,771)	\$0	(\$39,771)

1) Silicosis Administration - This proposal eliminates all general fund appropriated for administering the silicosis benefit program but does not reduce funding for silicosis benefits.

2) Human Rights Commission - This proposal reduces the total (current level and modified) general fund appropriation to the Human Rights Commission by 8 percent each year of the biennium. The 1991 legislature approved a budget modification in this program to reduce case backlogs (see Budget Modification section).

3) UI Fund Balance Transfer - The Executive Budget proposes to amend the statute authorizing the Unemployment Insurance (UI) Administration Account to permit the transfer of \$1.5 million from the account to the general fund. According to agency staff, the transfer would result in a fiscal 1993 ending fund balance that would be adequate to fund 1995 biennium services at current level plus fund a pay plan comparable to that funded in the 1993 biennium.

The UI administrative tax, enacted by the 1983 legislature, is set at 0.1 percent of all wages subject to the unemployment tax paid by an employer with an experience rating, and 0.05 percent of total wages paid by an employer without an experience rating. Although, according to committee minutes, the purpose of the tax was to provide funding to keep rural Job Service offices open if federal funds were reduced, none of the funds were spent for administrative purposes until fiscal 1989. The table below (based on agency records) shows revenues collected from the tax, interest earned on the tax revenues and disbursements from the account through the 1995 biennium if \$1.5 million is transferred to the general fund.

DEPARTMENT OF LABOR & INDUSTRY

UI Administrative Tax Revenues and Expenditures

Transaction Type	FY88-89 Actual	FY89 Actual	FY90 Actual	FY91 Actual	FY92 Estimated	FY93 Estimated	FY94 Estimated	FY95 Estimated
BEGINNING BALANCE:	-0-	\$2,219,366	\$4,604,233	\$5,644,759	\$6,900,281	\$4,174,521	\$2,071,022	\$1,362,768
REVENUES:								
UI Tax	\$10,477,856	2,569,020	2,634,066	2,816,610	2,873,500	2,951,455	3,031,524	3,113,766
Interest	417,816	165,847	283,672	418,113	328,736	174,864	103,297	49,644
Total Revenues	<u>10,895,732</u>	<u>2,734,867</u>	<u>2,917,738</u>	<u>3,234,723</u>	<u>3,202,236</u>	<u>3,126,319</u>	<u>3,134,821</u>	<u>3,163,410</u>
EXPENDITURES:								
Job Service		350,000	551,172	602,902	1,254,254	1,563,259	1,875,574	2,187,889
Jobs for Montana Graduates				96,941	126,517	124,485	124,485	124,485
Unemployment Insurance				73,039	100,000	100,000	100,000	100,000
Employment Relations				584,760	673,640	698,513	719,132	739,751
Legal Services			543,163	186,843	225,585	231,300	237,460	243,620
Research/Safety/Training			247,301	260,923	278,096	277,875	284,279	290,683
Displaced Homemakers			216,000	199,272	216,000	216,000	216,000	216,000
New Horizons Day Care			106,725					
Project Work					286,145	286,145	286,145	286,145
New Horizons			26,008					
JIPA Funding Shortfall					1,267,759	1,732,241		
Transfers to UI Trust	8,676,366				1,500,000			
Transfer to General Fund								
Total Expenditures	<u>8,676,366</u>	<u>350,000</u>	<u>1,877,212</u>	<u>1,979,201</u>	<u>5,927,996</u>	<u>5,229,818</u>	<u>3,843,075</u>	<u>4,188,573</u>
Ending Fund Balance	\$2,219,366	\$4,604,233	\$5,644,759	\$6,900,281	\$4,174,521	\$2,071,022	\$1,362,768	\$337,605

In addition to the UI tax appropriated during the 1993 biennium for administrative costs within the agency, the 1991 legislature appropriated all un-appropriated revenue to and fund balance in the account to a reserve fund for job service administrative costs. The only amount exempted from this language appropriation was up to \$100,000 per year, as may

DEPARTMENT OF LABOR & INDUSTRY

be necessary to establish a federally-required cost allocation plan. The 1991 legislature also required the agency to present formal guidelines for use of UI tax revenues to the 1993 legislature.

General Fund Budget Modifications

Modification Description	Pgm	-- -- -- -- Fiscal 1992 -- -- -- --		-- -- Fiscal 1993 -- --	
		FTE	Expend Thru Nov.	Percent Expended	FTE Approp.
1) Case Backlog	08	1.00	\$44,267 Implemented	NA	1.00 \$37,322
Totals		1.00	\$44,267 Implemented	NA	1.00 \$37,322

1) Case Backlog - The legislature appropriated \$81,589 in general fund during the 1993 biennium to reduce the backlog of cases currently filed with the Human Rights Commission by 50 cases per year. The 1.0 FTE has been employed and this modification has been implemented.

DEPARTMENT OF SOCIAL & REHABILITATION SERVICES

Budget Item	HB 2* Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2* Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
PTE	906.90		906.90	909.15		909.15	
Personal Services	22,628,200	1,686,139	24,314,339	22,664,830	2,695,540	25,360,370	49,674,709
Operating Expenses	21,226,995	0	21,226,995	18,983,844	0	18,983,844	40,210,839
Equipment	399,227	0	399,227	265,858	0	265,858	665,085
Local Assistance	35,000	0	35,000	35,000	0	35,000	70,000
Grants	16,000	0	16,000	16,000	0	16,000	32,000
Benefits and Claims	343,188,985	0	343,188,985	368,951,131	0	368,951,131	712,140,116
Transfers	2,884,914	0	2,884,914	2,902,805	0	2,902,805	5,787,719
Total Costs	\$390,379,321	\$1,686,139	\$392,065,460	\$413,819,468	\$2,695,540	\$416,515,008	\$808,580,488
Fund Sources							
General Fund	94,471,634	438,483	94,910,117	102,262,954	714,139	102,977,093	197,887,210
State Revenue Fund	14,296,244	289,982	14,586,226	14,444,050	459,355	14,903,405	29,489,631
Federal Revenue Fund	281,611,441	957,674	282,569,115	297,112,463	1,522,046	298,634,509	581,203,624
Proprietary Fund	2	0	2	1	0	1	3
Total Funds	\$390,379,321	\$1,686,139	\$392,065,460	\$413,819,468	\$2,695,540	\$416,515,008	\$808,580,488

*Includes HB 93 (Nursing home bed fee)

Agency Description

The Department of Social and Rehabilitation Services (SRS), provided for in Section 2-15-22, MCA, and Title 53, MCA, is responsible for a broad range of human services including the state's welfare programs, medical assistance and care, and training for persons with disabilities. Department staff provide services to assist blind and partially blind persons become gainfully employed and promote the restoration of handicapped Montanans to their fullest physical, mental, vocational, and social abilities. The department's mission statement is "Working Together To Empower Montanans", and its policies are designed to encourage people to become self-sufficient and to assist those who cannot do so.

DEPARTMENT OF SOCIAL & REHABILITATION SERVICES

Executive Budget Proposal

Description	Pgm	Fiscal 1992		Total Funds	Fiscal 1993		Total Funds
		General Fund	Other Funds		General Fund	Other Funds	
House Bill 2							
1) Legal Services Contract	01	\$0	\$0	0	(\$50,000)	\$0	(\$50,000)
2) Day Care Rate Increase	01	(33,404)	33,404	0	(57,550)	57,550	0
3) Project Work Program	01	(100,000)	0	(100,000)	(100,000)	0	(100,000)
4) ARDC Caseload Increase	01	1,236,536	3,433,792	4,670,328	1,150,899	3,231,807	4,382,706
5) GA Caseload Increase	01	444,698	0	444,698	437,615	0	437,615
6) Agency-Wide Operating Costs	NA	(119,374)	16,899	(102,475)	(156,137)	0	(156,137)
7) Grant Writing	04	(11,250)	0	(11,250)	(11,250)	0	(11,250)
8) Operating Costs	05	0	(17,235)	(17,235)	0	(27,613)	(27,613)
9) Personal Care Contract	07	(85,000)	0	(85,000)	(115,000)	0	(115,000)
10) Personal Medical Equipment	07	0	0	0	(97,238)	0	(97,238)
11) OBRA 1990 Delay	07	(155,300)	(393,657)	(548,957)	(307,900)	(787,830)	(1,095,730)
12) Hospital Rate Increase	07	0	0	0	(920,613)	(2,355,590)	(3,276,203)
13) OB/GYN Services @ 85%	07	(210,000)	(532,312)	(742,312)	(282,380)	(722,531)	(1,004,911)
14) Medicaid Managed Care	07	0	0	0	(2,044,014)	(5,230,057)	(7,274,071)
15) Medicare Buy-In	07	(400,000)	400,000	0	(800,000)	800,000	0
16) State Medical Increase	07	3,939,406	0	3,939,406	2,390,622	0	2,390,622
17) County Computer Costs	09	0	0	0	(250,000)	250,000	0
18) TRACS	09	(150,000)	(150,000)	(300,000)	0	0	0
19) SEARCS	09	0	(1,333,333)	(1,333,333)	(522,471)	(251,131)	(773,602)
20) Rate Increase Delay	NA	0	0	0	0	0	0
21) DD Part H Fund Switch	14	(120,000)	120,000	0	0	0	0
22) DD Part H Reduction	14	(200,000)	0	(200,000)	0	0	0
23) Other DD Benefit Reduction	14	(119,150)	0	(119,150)	0	0	0
24) Supported Living Expansion	14	(86,296)	(221,904)	(308,200)	0	0	0
25) Phase IV Start-Up	14	0	0	0	(400,000)	0	(400,000)
Other							
26) Revenue Increase	05	(217,235)	0	0	(27,613)	0	0
27) Fund Balance Transfer	05	(500,000)	500,000	0	0	0	0
28) Unreconciled Account	NA	(1,000,000)	0	(1,000,000)	0	0	0
Totals		\$2,113,631	\$1,855,654	\$4,186,520	(\$2,163,030)	(\$5,035,395)	(\$7,170,812)

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- 1) Legal Services Contract - This proposal reduces the fiscal 1993 general fund appropriation for the contract with the Montana Legal Services Corporation from \$100,000 to \$50,000 based on general assistance (GA) caseloads that have declined since the contract was initiated. The agency contracts with this organization to provide legal assistance to GA recipients who may be eligible for the federal supplemental security income program. When GA recipients become eligible for federal financial assistance, GA cash payments are no longer required.
- 2) Day-Care Rate Increase - This proposal removes all general fund from the HB 2 "line item" for day care rate increases during the 1993 biennium and replaces it with federal "child care and development block grant" funds. Language in HB 2 requires that general fund appropriated for rate increases be reduced by the amount of federal funds which may be available for this purpose from the "child care and development block grant". Since the federal block grant funding is available to fund the increase, federal spending authority will be increased and general fund appropriations decreased by a like amount.
- 3) Project Work Program - This proposal reduces general fund for this program from \$388,388 annually to \$288,388. Agency staff believe that the reduced amount will be adequate to provide services to GA recipients. This program was authorized by the 1989 legislature in Senate Bill 128 to initiate, promote, and develop job search, training and work activities for GA recipients.
- 4) AFDC Caseload Increase - The Executive Budget requests additional funding for AFDC caseloads which have increased in excess of the level budgeted by the 1991 legislature. (See the table following this narrative and the graphs on page 2 of the Summary for further information.)
- 5) GA Caseload Increase - The Executive Budget requests additional funding for GA caseloads which have increased in excess of the level budgeted by the 1991 legislature. (See the table following this narrative and the graphs on page 3 of the Summary for further information.)
- 6) Agency-Wide Operating Costs - This proposal reduces funding for operational costs in programs receiving general fund appropriations. There are no additional reductions proposed in personal services beyond the 4 percent vacancy savings already imposed by the 1991 legislature. Approximately \$17,000 of the fiscal 1992 reduction is a funding switch from general fund to federal funds. A general fund reduction of \$45,000 each year is proposed for costs relating to the processing of state medical claims.
- 7) Grant Writing - This proposal eliminates all general fund appropriated in a HB 2 "line item" for grant writing activities.

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- 8) **Operating Costs** - This proposal reduces appropriations from a state special account which funds the Child Support Enforcement program. Because HB 2 requires that any cash balance in excess of \$500,000 remaining in this account at fiscal year end be transferred to the general fund, a reduction in expenditures from this account should result in an equivalent positive effect on the general fund (see number 26).
- 9) **Personal Care Contract** - This proposal reduces general fund appropriations for personal care services provided under the state Medicaid program. According to information submitted by SRS staff, the reductions will be achieved through administrative savings in the contracts, rather than reductions in service to the recipient.
- 10) **Durable Medical Equipment** - This proposal reduces general fund appropriations for purchases of durable medical equipment, such as wheelchairs and eyeglasses under the state Medicaid program. The agency plans to purchase these items at a lower cost by purchasing through a single source.
- 11) **OBRA 1990 Delay** - This proposal reduces by approximately 25 percent the funding available for Medicaid benefits contained in a HB 2 "line item" for implementation of the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990) provisions. The agency plans to reduce the costs of complying with OBRA 1990 provisions by reducing the number of children to whom rehabilitation services would be provided during the 1993 biennium.
- 12) **Hospital Rate Increase** - This proposal eliminates all funding in a HB 2 "line item" for increasing Medicaid rates to hospitals in fiscal 1993. The agency proposes to conduct the study of hospital rates funded in HB 2 and request funding to implement the increased hospital rates in the 1995 biennium. According to information submitted by SRS staff, the delay is defensible under Medicaid provisions because hospitals receive a much higher percentage of their charges in Medicaid reimbursement than do other Medicaid providers.
- 13) **OB/GYN Services @ 85%** - This proposal reduces funding in a HB 2 "line item" for increased Medicaid rates paid to physicians providing obstetrical and gynecological services. The agency proposes to reduce the increase in rates from 90 percent of allowable costs to 85 percent of allowable costs. The increases funded in the same "line item" for pediatric services remains is not affected by this proposal and would remain at 80 percent of allowable costs.
- 14) **Medicaid Managed Care** - This proposal reduces funding for Medicaid benefits based on earlier implementation of a managed care system for Medicaid recipients. The 1991 Legislature funded managed care in a HB 2 "line item" and reduced funding of Medicaid benefits by \$2.5 million in fiscal 1993 based on anticipated savings resulting from the implementation of managed care during the last 6 months of the biennium. The agency now proposes to implement managed care 3 months earlier, resulting in increased savings. In addition, the initial savings of \$2.5 million was based on total Medicaid expenditures that are much lower than more recent estimates. The agency anticipates additional savings due to the increased expenditure base.

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- 15) Medicare Buy-In - This proposal reduces general fund and increases federal medicaid funding for the medicare buy-in program - a program which utilizes medicaid funding to pay for Medicare Part B premiums for medicaid-eligible persons who are 65 years of age or older. As funded in HB 2, medicare buy-in is 48 percent general fund and 52 percent federal funds. By making certain funding shifts within the program, the agency estimates that the percentage of the program funded with general fund will decrease to 40 percent and 34 percent respectively in fiscal years 1992 and 1993.
- 16) State Medical Increase - The Executive Budget requests additional funding for state medical benefits, which are currently exceeding the funding provided by the 1991 Legislature. At the request of the agency, the legislature decreased current level appropriations for the state medical program from \$5.5 million annually to \$2.1 million annually. The agency expected significant savings in this program during the biennium as a result of recent revisions in medicaid provisions and the passage of SB 269, which limited the types of services provided, specifically defined eligibility criteria, and authorized a system of managed care for state medical recipients. (See the table following this narrative and the graphs on page 3 of the Summary for further information.)
- 17) County Computer Costs - This proposal reduces general fund and increases county funds deposited in a state special account by the same amount. The agency would require that, beginning in fiscal 1993, counties which are not state-assumed for purposes of welfare administration pay their own costs for computer processing of welfare eligibility data.
- 18) TEAMS - This proposal reduces fiscal 1992 funding for The Economic Assistance Management System (TEAMS), the state's welfare computer system. The agency plans to achieve savings by postponing certain printer and maintenance costs and adjusting lease agreements for personal computers.
- 19) SEARCHS - This proposal reduces state special and federal funding for the System for Enforcement and Recovery of Child Support (SEARCHS), a computer system intended to provide fiscal and statistical data necessary to meet federal reporting requirements, increase data liability, and improve the effectiveness of child support enforcement activities. These savings are possible because the development contract has been implemented at a cost lower than anticipated. Although these reductions are in state and federal special accounts, the general fund should be impacted positively. Of the \$1.33 million reduction, \$200,000 is in an account for which specific language is contained in HB 2. Because HB 2 requires that any cash balance in excess of \$500,000 remaining in this account at fiscal year end be transferred to the general fund, a reduction in expenditures from this account should result in an equivalent positive effect on the general fund (see number 26).
- 20) Rate Increase Delay - This proposal reduces funding contained in HB 2 "line items" and postpones the fiscal 1993 4.5 percent provider rate increases for developmental disabilities, vocational rehabilitation, and visual services providers until the last 6 months of fiscal 1993.

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- 21) DD Part H Fund Switch - This proposal decreases general fund and increases federal funds by a like amount for the federally-sponsored Part H program, a program providing early interventions services for infants and children up to 36 months who have special needs.
- 22) DD Part H Reduction - This proposal reduces fiscal 1992 general fund contained in a HB 2 "line item" for Part H expansion. The agency proposes to delay the implementation of certain provisions of the Part H program until fiscal 1993.
- 23) Other DD Benefit Reductions - This proposal reduces fiscal 1992 general fund appropriations for Developmental Disabilities (DD) benefits. Based on year-to-date information, the agency anticipates general fund savings of this amount in fiscal 1992.
- 24) Supported Living - This proposal reduces fiscal 1992 funding contained in a HB 2 "line item" for service expansion. The agency proposes to postpone expansion of supported living services until fiscal 1993.
- 25) Phase IV Start-Up - This proposal reduces fiscal 1993 general fund contained in a HB 2 "line item" for expansion of community developmental disabilities services. The agency proposes that communities interested in locating a facility within their jurisdiction contribute to the initial start-up costs.
- 26) Revenue Increase - Executive Budget proposals numbers 8 and 19 reduce appropriations in the state special account which funds the Child Support Enforcement program. House Bill 2 language requires that any cash balance in excess of \$500,000 remaining in this account at year end be transferred to the general fund. If reducing expenditures as proposed by the Executive Budget does not reduce revenues into the account, general fund revenues should increase \$217,235 in fiscal 1992 and \$27,613 in fiscal 1993.
- 27) Fund Balance Transfer - This proposal transfers the \$500,000 fiscal 1992 ending cash balance in the account referenced in number 26 to the general fund. Because this proposal would transfer the entire cash balance in the account to the general fund at fiscal 1992 year end, a general fund loan would be required during the first part of fiscal 1993 to provide adequate cash flow in the account.
- 28) Unreconciled Account - This transfer to the general fund will complete agency compliance with a legislative audit recommendation and HB 2 language. An April, 1990 legislative audit report recommended that the agency "reconcile cash in the federal accounting entity to identify the nonfederal cash." On the basis of agency estimates that approximately \$2.5 million of the account's cash balance may rightfully belong to the state, the 1991 legislature inserted language in HB 2 requiring that the non-federal funds be transferred to the general fund. The language further states that if any of the transferred funds are later identified as federal funds, the agency may seek a general fund supplemental

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appropriation to repay the federal government. During fiscal 1991, \$1.5 million was transferred from the account to the general fund to fund several appropriations made by the 1991 legislature. The remaining \$1.0 million will be transferred as soon as final reconciliation is complete.

The table below shows 1993 biennium general fund appropriated by the 1991 legislature for AFDC, GA and state medical benefits, and the additional amounts requested by the Executive Budget to cover increasing caseloads and costs.

1993 Biennium General Fund Benefit Increases

<u>Benefit Type</u>	<u>Appropriated Fiscal 1992</u>	<u>Revised Fiscal 1992</u>	<u>Additional Required 1992</u>	<u>Appropriated Fiscal 1993</u>	<u>Revised Fiscal 1993</u>	<u>Additional Required 1993</u>
AFDC	\$10,776,439	\$12,012,975	\$1,236,536	\$11,252,850	\$12,403,749	\$1,150,999
General Assistance	2,458,619	2,903,317	444,698	2,581,835	3,019,450	437,615
State Medical	2,060,594	6,000,000	3,939,406	2,109,378	4,500,000	2,390,622
Total	\$15,295,652	\$20,916,292	\$5,620,640	\$15,944,063	\$19,923,199	\$3,979,136

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General Fund Budget Modifications

Modification Description	Pgm	----- Fiscal 1992 -----			----- Fiscal 1993 -----		
		FTE	Approp.	Expended Thru Nov.	Percent Expended	FTE	Approp.
1) Day Care Rate Increase	01	0.00	\$33,404	Implemented	NA	0.00	\$57,550
2) Food Stamp Job Search Support	01	0.00	43,750	3,818	8.73%	0.00	43,750
3) Statewide JOBS Program	01	0.00	709,367	195,795	27.60%	0.00	709,367
4) AFDC/GA at 42% of Poverty	01	0.00	537,529	Implemented	NA	0.00	1,199,824
5) Grant Writing	04	0.00	11,250	0	0.00%	0.00	11,250
6) Waiver Home Rate Increase	07	0.00	3,181	Implemented	NA	0.00	6,354
7) Hospital Rate Study/Cost Containment	07	0.00	292,080	Implemented	NA	0.00	191,300
8) Nurse Aid Testing	07	0.00	86,400	Implemented	NA	0.00	86,400
9) Nursing Home Rate Rebate	07	0.00	1,110,746	Implemented	NA	0.00	2,644,514
10) Hospital Rate Rebate	07	0.00	0	0	NA	0.00	920,613
11) Medicaid Waiver Expansion	07	0.00	74,888	0	0.00%	0.00	100,134
12) Ob/Gyn/Ped Physician Increase	07	0.00	1,027,510	Implemented	NA	0.00	1,360,813
13) Health Clinic Expansion	07	0.00	18,388	Implemented	NA	0.00	18,265
14) Ambulance Rate Increase	07	0.00	139,729	Implemented	NA	0.00	138,791
15) Pregnant Women Case Mgmt.	07	0.00	139,484	Implemented	NA	0.00	138,574
16) Medicaid Managed Care	07	1.00	62,298	Implemented	NA	1.00	230,117
17) OBRA 1990	07	3.00	438,298	Implemented	NA	3.00	1,477,222
18) TEAMS Operations	09	0.00	438,795	Implemented	NA	0.00	485,182
19) 4.5% Provider Rate Increases	NA	0.00	990,382	Implemented	NA	0.00	2,035,326
20) Program Expansion	10	0.00	155,455	Implemented	NA	0.00	155,455
21) DD System Phases I & II	14	2.00	391,794	Implemented	NA	2.00	389,156
22) DD System Phase IV	14	3.00	725,745	Implemented	NA	6.00	1,213,331
23) OBRA 1987 DD Treatment	14	0.00	0	0	0.00	0.00	296,516
24) DD Part H Expansion	14	0.00	597,059	Implemented	NA	0.00	897,059
25) Program Expansion	14	0.00	181,779	Implemented	NA	0.00	181,779
Totals		9.00	\$8,209,311	\$199,613	2.43%	12.00	\$14,988,642

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- 1) Day Care Rate Increase - The legislature appropriated a total of \$322,883 during the 1993 biennium to increase rates to day care providers. Although \$90,954 of this amount was general fund, language in HB 2 requires that general fund appropriated for the increases be reduced by the amount of federal funds which may be available for this purpose from the "child care and development block grant". The fiscal 1992 rate increases have been implemented, but because the federal funds referenced in HB 2 were available, the general fund appropriation for these increases has not been spent.
- 2) Food Stamp Job Search Support - The legislature appropriated \$87,500 in general fund during the 1993 biennium to provide supportive services to food stamp recipients. The Food Stamp Job Search program is a federally mandated employment and training program for food stamp recipients. The program is federally funded except for a \$25 monthly payment by the state to each recipient for supportive services. Through November 30, 1991, \$3,818 had been spent from this appropriation.
- 3) Statewide JOBS Program - The legislature appropriated \$5,280,736 (\$1,418,734 general fund) to fund state-wide implementation of the Job Opportunities and Basic Skills (JOBS) program. The program has been implemented in selected counties during the 1991 biennium. Through November 30, 1991, \$195,795 had been spent from this appropriation.
- 4) AFDC/GA Payments At 42 Percent Of Poverty - The legislature appropriated \$5.59 million (\$1.74 million general fund) to maintain AFDC and General Assistance payments at 42 percent of the federal poverty index during the 1993 biennium. The fiscal 1992 increase has been implemented.
- 5) Grant Writing - The legislature appropriated \$90,000 (\$22,500 general fund) to provide funding for grant writing activities. None of this appropriation had been spent as of November 30, 1991.
- 6) Waiver Home Rate Increase - The legislature appropriated \$33,861 (\$9,535 general fund) to increase Medicaid waiver group home rates 4.5 percent each year of the 1993 biennium. The fiscal 1992 increase has been implemented.
- 7) Hospital Rate Study/Cost Containment - The legislature appropriated \$666,760 (\$483,380 general fund) to: 1) study the prospective payment system used to reimburse hospitals for inpatient services; 2) fund nursing home audits; and 3) fund a managed care system for the state medical program. The hospital rate study and nursing home audits will be funded 50 percent general fund and 50 percent federal funds, while the managed care system cost of \$300,000 will be all general fund. The 1991 legislature reduced 1993 biennium appropriations for state medical benefits by \$1.5 million based on implementation of the managed care system. The managed care portion of this modification has been implemented.
- 8) Nurse Aide Testing - The legislature appropriated \$345,600 (\$172,800 general fund) to contract for the testing of nurse aides. The Omnibus Budget Reconciliation Act of 1987 (OBRA 1987) required that nurse aides receive training and that a test be developed to test nurse aides for competency. This modification has been implemented.

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- 9) Nursing Home Rate Rebase - The legislature appropriated \$13,337,368 (\$3.76 million general fund) in HB 2 to increase Medicaid reimbursement rates to nursing homes. The rebase was to occur in two stages - the first beginning October 1, 1991 and the second beginning October 1, 1992. However, the agency implemented the fiscal 1992 rate increase on July 1, 1991, rather than October 1. Funds were also appropriated to increase nursing home reimbursements in HB 93. (See Other Appropriation Bills section.)
- 10) Hospital Rate Rebase - The legislature appropriated \$3,276,203 (\$920,613 general fund) to increase Medicaid hospital reimbursement rates beginning October 1, 1992. Federal regulations require states to set Medicaid rates which cover costs incurred by efficiently and economically operated facilities in complying with Medicaid regulations. This modification will allow Medicaid reimbursement rates to cover a larger portion of hospital costs.
- 11) Medicaid Waiver Expansion - The legislature appropriated \$621,065 (\$175,022 general fund) to expand home and community-based waiver services for elderly and disabled persons as an alternative to placement in nursing facilities. According to department staff, there are approximately 100 elderly and disabled persons waiting for waiver services. This appropriation will provide funds for 38 persons in fiscal 1992 and an additional 12 persons in fiscal 1993. As of December, 1991, this modification had not been implemented.
- 12) Obstetric/Pediatric Rate Increases - The legislature appropriated \$8,474,813 (\$2,388,323 general fund) to increase Medicaid reimbursement rates to physicians beginning October 1, 1991, for providing obstetrical and pediatric services to Medicaid recipients. Federal regulations specifically require states to document that these services are available to Medicaid recipients at least to the extent that the services are available to the general population in a geographic area. This modification was implemented on October 1, but at a reduced rate. (See Executive Budget Proposals section.)
- 13) Health Clinic Expansion - The legislature appropriated \$130,000 (\$36,653 general fund) to provide reimbursement to all community and migrant health clinics currently funded under the Public Health Act. According to department staff, states have, in the past, been able to limit covered services in these facilities but now must reimburse for all services provided by these facilities. This modification has been implemented.
- 14) Ambulance Provider Rate Increase - The legislature appropriated \$987,836 (\$278,520 general fund) to increase Medicaid reimbursement rates for ambulance service. According to department staff, ambulance Medicaid reimbursement rates have been frozen since 1982, except for the annual 2.0 percent increases approved for the 1991 biennium. Department staff estimate that ambulance providers are currently reimbursed approximately 50 percent of their cost of providing basic life support services and only 10 percent of costs for advanced life support and air ambulance services. This modification has been implemented.

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- 15) Pregnant Women Case Management - The legislature appropriated \$986,196 (\$278,058 general fund) to implement case management services targeted towards pregnant women who meet high risk criteria indicating they may not deliver a full-term infant. Case management services were authorized as a component of the state's medicaid plan by Senate Bill 391. The goal of case management is to assist the client with obtaining necessary services to deliver a normal birthweight baby and thereby decrease the long-term cost to medicaid of caring for low birthweight babies. This modification has been implemented.
- 16) Medicaid Managed Care - The legislature appropriated \$869,812 (\$292,415 general fund) to implement a managed-care system for medicaid recipients as authorized by Senate Bill 391. This system would manage the receipt of medical services for recipients to ensure that their medical needs are met efficiently and cost-effectively. Federal approval of the managed-care system is expected by fiscal 1993. Based on anticipated cost savings once the system is implemented, the legislature reduced the fiscal 1993 medicaid primary care appropriation by \$2.5 million, \$702,500 of which is general fund). The 1.0 FTE has been hired and fiscal 1992 operational costs have been incurred. The actual managed care system is scheduled to begin in fiscal 1993.
- 17) OBRA 1990 - The legislature appropriated \$6,198,940 (\$1.46 million in fiscal 1992 and \$4.74 million in fiscal 1993) to implement provisions of the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990) most of which is in the benefits area. General fund appropriations are \$438,298 in fiscal 1992 and \$1,477,222 in fiscal 1993. Less than \$250,000 per year is budgeted for operations, including 3.0 FTE authorized each year of the biennium. The remainder is for benefits. The 3.0 FTE have been hired and fiscal 1992 operational costs have been incurred. Most of the fiscal 1992 benefit portion of the modification has also been implemented.
- 18) TEAMS Operations - The legislature appropriated an additional \$923,977 in general fund for operations of the department's computerized welfare system during the 1993 biennium. In total, \$8.1 million (\$3.7 million general fund) was appropriated for TEAMS operations during the 1993 biennium. This modification has been implemented.
- 19) 4.5 % Provider Rate Increases - The legislature appropriated \$4,698,487 (\$3,025,708 general fund) to increase vocational rehabilitation, visual services, and developmental disabilities service provider rates 4.5 percent each year of the 1993 biennium. The fiscal 1992 rate increases have been implemented.
- 20) Program Expansion - Additional general fund of \$310,910 was appropriated during the 1993 biennium to provide extended employment services to 30 of the estimated 60 persons now waiting for these services. Employment will be provided in sheltered workshops or supported employment settings. Persons receiving these services are head-injured, physically disabled, mentally ill or learning disabled and are not eligible for DD services because their disability is not developmental. This modification has been implemented.

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- 21) DD System Phase I and II - The legislature appropriated \$2,305,267 (\$780,950 general fund) and authorized 2.0 FTE during the 1993 biennium to provide community based services to 24 Montana Developmental Center (MDC) residents. Services provided include intensive group homes, day services, and transportation. Federal funding is available through the Medicaid Home and Community-Based Waiver. This modification has been implemented.
- 22) DD System Phase IV - The legislature appropriated \$4,025,234 (\$1,939,076 general fund) and authorized 3.0 FTE in fiscal 1992 and 6.0 FTE in fiscal 1993 to provide community based DD services to 60 adults, 30 of whom will be residents transferred from MDC. Federal funding is available through the Medicaid Home and Community-Based Waiver. This modification has been partially implemented.
- 23) OBRA 1987 DD Treatment - The legislature appropriated \$1,058,986 (\$296,516 general fund) in fiscal 1993 to provide community-based services to nursing home residents with developmental disabilities. The Omnibus Budget Reconciliation Act (OBRA) of 1987 requires that states evaluate the needs of persons with developmental disabilities residing in nursing homes. These residents may either move to community-based DD services or remain in the nursing home and receive active treatment provided by the state. This appropriation provides funding only for nursing residents who choose to leave nursing facilities and receive community-based services. The provision of active DD treatment in nursing homes will be delayed until fiscal 1994.
- 24) DD Part H Expansion - The legislature appropriated \$1,983,372 (\$1,494,118 general fund) to expand the early intervention program for infants and children up to 36 months of age who have special needs. Approximately 1.5 percent of Montana children under 36 months experience a developmental delay and would be eligible to receive services under this program. This modification has been partially implemented.
- 25) Program Expansion - The legislature appropriated \$1,298,420 (\$363,558 general fund) to fund services for persons currently waiting for services. The number of additional persons receiving services as a result of this expansion are 30 for specialized family care, 25 for supported work, and 25 for supported living. This modification has been partially implemented.

DEPARTMENT OF SOCIAL & REHABILITATION SERVICES

Other General Fund Appropriations

Bill Number and Description	Pgm	----- Fiscal 1992 -----		----- Fiscal 1993 -----	
		FTE	Approp.	Expended Thru Nov.	Percent FTE Approp.
1) HB 93 - Nursing Facility Bed Fee	07	0.00	\$1,239,048	Implemented	NA
2) HB 978- Personal Care Facilities	07	0.00	0	0	0.00
Totals		0.00	\$1,239,048	\$0	0.00%
					0.00
					\$1,253,979
					60,000
					\$1,313,979

1) HB 93 - Nursing Facility Bed Fee - This bill appropriates \$4.38 million (\$1.24 million general fund) in fiscal 1992 and \$4.46 million (\$1.25 million general fund) in fiscal 1993 to increase medicaid reimbursement rates for private nursing facilities. This legislation also imposes a \$1.00 per bed day fee in fiscal 1992 and a \$2.00 per bed day fee in fiscal 1993 on all nursing facilities in the state. The fee is imposed only upon beds occupied by residents for whom third-party payors are responsible for reimbursing the facility. The fee is not imposed on beds occupied by residents who reimburse the facility for their own care or whose cost of care is reimbursed by a friend or relative. The fee is deposited in the state general fund and is intended to partially offset the general fund cost of re-basing nursing facility medicaid reimbursement rates during the 1993 biennium.

The fee is estimated to raise \$4.58 million from private nursing facilities during the biennium, while the total state general fund cost of re-basing (including the re-basing appropriation in HB 2) private nursing facility rates during the biennium is \$6.25 million. While there had been no expenditures from this appropriation as of November 30, 1991, the fee had been imposed and the nursing home rates increased.

2) HB 978 - Personal Care Facilities - This legislation requires the department to seek a waiver from the federal government to establish a pilot program for testing the feasibility of providing medicaid reimbursement for services to the elderly and disabled in personal-care facilities. The intent of the legislation as stated in Section 1 is to "minimize inappropriate medicaid admissions of the elderly and disabled to nursing care facilities" and to "provide the most efficient and effective use of public funds in the delivery of medicaid services to the elderly and disabled". This bill appropriates \$213,523 (\$60,000 general fund) in fiscal 1993, contingent upon approval of the waiver from the federal government. The agency is currently seeking a waiver to implement this legislation.

DEPARTMENT OF FAMILY SERVICES

<u>Budget Item</u>	<u>HB 2 Fiscal 1992</u>	<u>Pay Plan Fiscal 1992</u>	<u>Total Fiscal 1992</u>	<u>HB 2 Fiscal 1993</u>	<u>Pay Plan Fiscal 1993</u>	<u>Total Fiscal 1993</u>	<u>Total Biennium 1992-93</u>
FTE	583.60		583.60	583.60		583.60	
Personal Services	15,750,913	1,082,743	16,833,656	15,743,587	1,747,731	17,491,318	34,324,974
Operating Expenses	4,642,999	0	4,642,999	4,527,679	0	4,527,679	9,170,678
Equipment	96,320	0	96,320	75,925	0	75,925	172,245
Grants	5,492,622	0	5,492,622	5,402,894	0	5,402,894	10,895,516
Benefits and Claims	22,788,905	0	22,788,905	23,918,522	0	23,918,522	46,707,427
Total Costs	\$48,771,759	\$1,082,743	\$49,854,502	\$49,668,607	\$1,747,731	\$51,416,338	\$101,270,840
<u>Fund Sources</u>							
General Fund	29,364,538	877,419	30,241,957	29,852,783	1,417,047	31,269,830	61,511,787
State Revenue Fund	2,945,116	65,274	3,010,390	2,958,917	86,818	3,045,735	6,056,125
Federal Revenue Fund	16,462,105	140,050	16,602,155	16,856,907	243,866	17,100,773	33,702,928
Total Funds	\$48,771,759	\$1,082,743	\$49,854,502	\$49,668,607	\$1,747,731	\$51,416,338	\$101,270,840

Agency Description

The Department of Family Services (DFS) provides: 1) protective services for children, youth, and adults who are abused and neglected; 2) community based services designed to enhance the self-sufficiency and independence of the elderly and developmentally disabled; 3) care and education in the two state youth correctional institutions; and 4) aftercare services for youth coming out of these institutional placements. The department, authorized in Section 2-15-2401, MCA, and defined in Title 52, MCA, has four programs: 1) Management Support; 2) Community Services, including Aftercare and Youth Evaluation; 3) Mountain View; and 4) Pine Hills.

DEPARTMENT OF FAMILY SERVICES

Executive Budget Proposal

Description	Pgm	Fiscal 1992		Fiscal 1993		Total Funds
		General Fund	Other Funds	General Fund	Other Funds	
House Bill 2						
1) Personal Services 6% VS	01	(\$93,878)		(\$98,229)		(\$98,229)
2) Training Funds	01	(7,500)		(30,000)		(30,000)
3) Personal Services 4% VS	02	(335,104)		(348,545)		(348,545)
4) Parental Assets Rule	02	(233,693)		(928,493)		(928,493)
5) Delay Foster Care Rate Inc.	02	0		(194,772)	(70,585)	(265,357)
6) Day Care Rate Increase	02	(38,708)		(58,083)		(58,083)
7) IV-B Revenue Increase	02	(75,697)	75,697	(75,697)	75,697	(20,000)
8) Corrections Div. Operating	02	(20,000)		(20,000)		(20,000)
9) Cap Alcohol & Drug Treatment	02	(12,100)		(13,300)		(13,300)
10) Domestic Violence 8% Red.	02	(10,800)		(10,800)		(10,800)
11) Big Bros. & Sisters 8% Red.	02	(13,860)		(14,553)		(14,553)
12) Misc. Federal Recovery	02	(295,931)	295,931	(324,962)	324,962	(165,259)
13) Resid. Treatment Continuum	02	(599,919)		(165,259)		(165,259)
14) Foster Care Increase	02	2,202,939		0		(56,422)
15) Personal Services 3% VS	03	(54,684)		(56,422)		(56,422)
16) Personal Services 2% VS	04	(65,424)		(67,812)		(67,812)
Other Appropriation Bills						
17) HB 569-Mgmt. Info. System	01	(260,750)				
18) HB 371-Aging 50% Reduction	02	(100,000)		(260,750)		
19) HB 491-Respite Care 50% Red.	02	(50,000)		(100,000)		
Totals		(\$65,109)	\$371,628	(\$2,406,927)	\$330,074	(\$2,076,853)

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- 1) Personal Services 6% Vacancy Savings - The Executive Budget proposes increasing the vacancy savings in the Management Support program by 6 percent of all personal services funded by the 1991 legislature, including pay plan. The additional vacancy savings would reduce the general fund appropriation for management support by \$93,878 in fiscal 1992 and \$98,229 in fiscal 1993. This reduction, combined with the 2 percent personal services reduction imposed on this program by the 1991 legislature, would bring the total vacancy savings to nearly 8 percent in each fiscal year. As of November 30, 1991, 34 percent of the personal services budget in the Management Support program had been expended.
- 2) Training Funds - The Executive Budget proposal reduces appropriations for training by \$7,500 in fiscal 1992 and \$30,000 in fiscal 1993. General fund of \$96,417 in fiscal 1992 and \$96,479 in fiscal 1993 was budgeted for training in the Management Support program. General fund of \$54,533 or 56.5 percent of total general fund had been spent by November 30, 1991.
- 3) Personal Services 4% Vacancy Savings - The Executive Budget proposes increasing the vacancy savings in the Community Services program by 4 percent of all personal services funded by the 1991 legislature, including pay plan. The 1991 legislature imposed a 2 percent vacancy savings for all personal services except the social workers, on whom no vacancy savings was imposed. The additional vacancy savings would reduce the general fund appropriation for regional staff by \$335,104 in fiscal 1992 and \$348,545 in fiscal 1993. This reduction, combined with the 2 percent personal services reduction imposed on this program by the 1991 legislature, would bring the total vacancy savings to 4 percent for social workers and nearly 6 percent for all other personnel in each fiscal year. As of November 30, 1991, 39 percent of the personal services budget had been spent.
- 4) Parental Assets Rule - The Executive Budget proposes a medicaid rule change which will allow parental assets to be considered for children being treated in hospital or residential psychiatric facilities. The executive proposal recommends that this rule change be effective on April 1, 1992 and reduces the general fund appropriations by \$233,693 in fiscal 1992 and \$928,493 in fiscal 1993.
- 5) Delay Foster Care Rate Increase - The 1991 legislature approved foster care provider rate increases of 4.5 percent each year of the 1993 biennium, as discussed in #13 of the budget modification section below. General fund of \$372,769 in fiscal 1992 and \$762,314 in fiscal 1993 was appropriated for this purpose. The Executive Budget proposal delays implementation of the fiscal 1993 increase for 6 months, resulting in appropriation decreases of \$194,772 general fund and \$70,585 federal funds in fiscal 1993.
- 6) Day Care Rate Increase - The Executive Budget proposal eliminates the general fund portion of the day care increase, enacted by the 1991 legislature in a current level adjustment, as discussed in #14 of the budget modification section below. House Bill 2 requires that general fund be replaced by the federal day care block grant funds if allowed by

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federal regulations. Since day care rate increases are allowable under the regulations, the general fund is eliminated and the rate increase is funded by block grant funds appropriated in House Bill 2.

7) IV-B Revenue Increase - The Executive Budget proposal reduces general fund and increases federal funds by \$75,697 in each fiscal year. The fiscal 1992 and 1993 budgets were based on estimated receipts from the fiscal 1991 IV-B block grant for child protective services, but the actual 1991 allotment was \$75,697 higher than estimated.

8) Corrections Division Operating - The Executive Budget proposal reduces appropriated general fund for the Corrections Division operating expenses by \$20,000 each year.

9) Cap Alcohol and Drug Treatment - The 1991 legislature appropriated general fund of \$212,100 in fiscal 1992 and \$213,300 in fiscal 1993 for alcohol and drug treatment for eligible indigent youth. The Executive Budget proposes reductions in general fund appropriations of \$12,100 in fiscal 1992 and \$13,300 in fiscal 1993. As of November 30, 1991, \$68,970 or 32.5 percent of the appropriation had been spent.

10) Domestic Violence 8% Reduction - The 1991 legislature appropriated \$135,000 general fund, \$35,000 state special revenue, and \$50,000 federal funds each year for safe homes, a crisis line, and public awareness and education programs on domestic violence. The Executive Budget reduces the general fund portion of the program by 8 percent or \$10,800 each year of the 1993 biennium. As of November 30, 1991, \$34,008 or 25.2 percent of the appropriation had been spent.

11) Big Brothers and Sisters 8% Reduction - The 1991 legislature appropriated general fund of \$173,250 in fiscal 1992 and \$181,913 in fiscal 1993 for the county Big Brothers and Sisters program, including 5 percent annual increases of \$8,250 and \$17,913 in respective years, as discussed in #15 of the budget modification section below. The Executive Budget reduces this program by 8 percent each year or \$13,860 in fiscal 1992 and \$14,553 in fiscal 1993. As of November 30, 1991, \$58,998 or 34.1 percent of the appropriation had been spent.

12) Miscellaneous Federal Recovery - The Executive Budget proposal reduces general fund and increases federal funds by \$295,931 in fiscal 1992 and \$324,962 in fiscal 1993. This funding switch is based on anticipated increased collections of federal funds resulting from the revised random moment time study, potential federal rule changes for administrative expenses, and increased grant authority.

13) Residential Treatment Continuum - The 1991 legislature appropriated the general fund medicaid match to DFS for residential psychiatric services, as discussed in Youth Treatment Services, #10 of the budget modification section below. Of the \$1,770,656 appropriated for fiscal 1992 and the \$1,764,354 appropriated for fiscal 1993, the department was to reserve \$1.3 million for the biennium, approximately \$650,000 each year, specifically for residential psychiatric services. The remainder could be used to provide a continuum of care to abused and neglected children. The Executive

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Budget proposes reducing the continuum of care funds by \$599,919 in fiscal 1992 and \$165,259 in fiscal 1993, leaving \$520,737 and \$949,095 in respective years. The department presented the continuum of services plan required in House Bill 2 to the Legislative Finance Committee in November, 1991.

14) Foster Care Increase - The Executive Budget proposal includes additional general fund of \$2,202,939 for foster care in fiscal 1992 only. This increase is primarily the result of three factors. First, at the executive's request, the fiscal 1992 and 1993 appropriations were based on the fiscal 1991 appropriation of \$11.3 million. However, the 1991 legislature approved a foster care supplemental request for nearly \$1.0 million, and the actual 1991 expenditures were \$11.9 million. While the 1993 biennium foster care base was less than fiscal 1991 actual expenditures, the legislature expected that implementation of a continuum of care would compensate for that difference.

Second, while the department estimates fewer total care days in fiscal 1992, it expects the mix of services to change. More care days will be provided in the more expensive in-state and out-of-state treatment, while fewer care days will be provided in the less expensive family foster homes and group homes.

Third, based on the department's care day and expenditure estimates, the average daily rates for in-state treatment will increase by 2.9 percent from fiscal 1991 to fiscal 1992, while average out-of-state treatment rates will increase by 36.7 percent in the same period.

The 1991 legislature intended that a portion of the budget modification (see #10 below) of \$1.7 million per year for youth treatment services would be used to fund a part of a continuum of services that would allow less expensive, appropriate in-state placement. In fact, residential treatment placement, both in-state and out-of-state, has increased rather than decreasing as expected.

The Executive Budget does not include increased foster care funds for fiscal 1993 because it believes case load changes and the impact of implementation of the continuum of services cannot be forecast at this time.

15) Personal Services 3% Vacancy Savings - The Executive Budget proposal increases the vacancy savings at Mountain View School by 3 percent of all personal services funded by the 1991 legislature, including pay plan. This reduction, combined with the 2 percent personal services reduction imposed on this program by the 1991 legislature, would bring the total vacancy savings to nearly 5 percent in each fiscal year. As of November 30, 1991, 39 percent of the personal services budget had been spent.

16) Personal Services 2% Vacancy Savings - The Executive Budget proposal increases the vacancy savings at Pine Hills School by 2 percent of all personal services funded by the 1991 legislature, including pay plan. This reduction, combined with the 2 percent personal services reduction imposed on this program by the 1991 legislature, would bring

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the total vacancy savings to nearly 4 percent in each fiscal year. As of November 30, 1991, 37 percent of the personal services budget had been spent.

- 17) HB 569 - Management Information System - The 1991 legislature approved a biennial appropriation of \$547,339 general fund for development of a management information system in cooperation with the Department of Administration. The Executive Budget proposal reduces that appropriation by \$260,750 and provides for the development of this system within the Department of Family Services. As noted in the "Other General Fund Appropriation" section below, no funds had been expended as of November 30, 1991.
- 18) HB 371 - Aging Services 50% Reduction - The Executive Budget proposal reduces the \$200,000 general fund biennial appropriation for in-home Aging Services by 50 percent or \$100,000 in fiscal 1992. As noted in the "Other General Fund Appropriation" section below, no funds had been expended as of November 30, 1991.
- 19) HB 491 - Respite Care 50% Reduction - The Executive Budget proposal reduces the \$100,000 general fund biennial appropriation for foster care respite care by 50 percent or \$50,000 in fiscal 1992. As noted in the "Other General Fund Appropriation" section below, no funds had been expended as of November 30, 1991.

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General Fund Current Level Adjustments and Budget Modifications

Modification Description	Pgm	FTE	Fiscal 1992 Approp.	Expended Thru Nov.	Percent Expended	Fiscal 1993 FTE	Approp.
1) Staff Increases	01	5.00	\$109,849	Implemented	NA	5.00	\$102,829
2) Division Director	01	1.00	40,082	Implemented	NA	1.00	37,789
3) Rent Increases for New Space	01		36,550	Implemented	NA		36,550
4) Regional Staff Increases	02	8.00	233,293	Implemented	NA	8.00	224,699
5) Phase I & II Supplemental Income	02		27,072	Implemented	NA		27,072
6) Phase IV Supplemental Income	02		19,740	0	0.00%		53,580
7) Phase IV Child Placement	02		42,435	0	0.00%		84,300
8) MDC Phase IV Case Management	02	2.75	29,664	Implemented	NA	2.75	29,665
9) Native American Services	02		280,863	Implemented	NA		278,977
10) Youth Treatment Services	02	1.00	1,770,656	Implemented	NA	1.00	1,764,354
11) Field Equipment	02		20,000	Implemented	NA		20,000
12) SB37-Youth Detention Services	02		5,105	0	0.00%		33,613
13) Foster Care Provider Rate Increases	02		372,769	Implemented	NA		762,314
14) Day Care Increases	02		38,708	Implemented	NA		58,083
15) Big Brothers and Sisters Increases	02		8,250	Implemented	NA		16,913
16) Day Care Resource & Referral	02		15,000	15,000	100.00%		0
17) Juvenile Detention Costs	02		44,000	Implemented	NA		44,000
18) Mountain View Staff Increases	03	1.36	34,902	Implemented	NA	1.36	33,675
19) Pine Hills Staff Increases	04	3.00	61,757	Implemented	NA	3.00	61,707
Totals		22.11	\$3,190,695	\$15,000	0.47%	22.11	\$3,670,120

1) Staff Increases - The legislature approved \$369,488 for the biennium for staff increases to strengthen the management capability of the department. The legislature appropriated general fund for 3.0 FTE management personnel and federal funds for 2.0 FTE needed to increase collection of federal funds and parental contributions. The modification also includes \$35,000 for operating expenses and \$13,000 for equipment. Funding is: 1) general fund of \$109,849 in fiscal 1992 and \$102,829 in fiscal 1993; and 2) federal funds of \$81,583 in fiscal 1992 and \$75,227 in fiscal 1993. For

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appropriation purposes, general fund was calculated for 3.0 FTE, but actual funding is a combination of general fund and federal funds. Of the five positions, three were unfilled as of November 30, 1991.

- 2) Division Director - The legislature appropriated \$91,613 for 1.0 FTE division director, operating expenses, and equipment for the biennium to enable the department to further strengthen its management and to allow presentation of a detailed plan for a continuum of service during calendar year 1991. Funding is: 1) general fund of \$40,082 in fiscal 1992 and \$37,789 in fiscal 1993; and 2) federal funds of \$7,073 in fiscal 1992 and \$6,669 in fiscal 1993. This position was filled as of November 30, 1991.
- 3) Rent Increases for New Space - The legislature appropriated \$43,000 each year as a current level adjustment for additional rent to allow the department to move into new space. The department has moved to the new space and the rent increase has been included in a new lease agreement.
- 4) Regional Staff Increases - The regional staff, which totalled 315.83 in fiscal 1990, provides social services to children, adults, and senior citizens. The number of children in foster care increased from 2,390 in fiscal 1985 to 2,969 in fiscal 1989, 3,118 in fiscal 1990, and 3,417 in fiscal 1991. Adult protective services received an estimated 1,000 new clients in fiscal 1989 and served a total of 3,224 clients during that year. The legislature added 8.0 additional FTE social workers to respond to this increasing demand for services. General fund costs of \$233,293 in fiscal 1992 and \$224,699 in fiscal 1993 are supplemented by federal funds of \$41,169 and \$39,653 in respective years for a total biennial cost of \$538,814. Three of the eight positions were unfilled as of November 30, 1991.
- 5) Phase I & II Supplemental Income - State supplemental income is a monthly supplement to federal supplemental security income (SSI) to enable eligible clients to live in less restrictive environments than would otherwise be possible. The legislature approved general fund of \$27,072 each year for state supplemental payments to approximately 24 developmentally disabled SSI recipients who were moved from MDC into community homes during the 1991 biennium (phases I and II of the "Action Plan for the Modification of the Montana Developmental Disabilities Service System"). Expenditures for supplemental income of \$94 per month per recipient were absorbed within the department's current level appropriation for the 1991 biennium as clients were moved from MDC. These clients will now be served in the community for the full biennium.
- 6) Phase IV Supplemental Income - The legislature approved \$19,740 in fiscal 1992 and \$53,580 in fiscal 1993 for state supplemental income payments of \$94 per month for developmentally disabled federal SSI recipients who will move from MDC or waiting lists into community homes during the 1993 biennium (phase IV of the "Action Plan for the Modification of the Montana Developmental Disabilities Service System"). The department anticipates that: 1) 30 additional clients will require SSI for seven months in fiscal 1992 and 12 months in fiscal 1993; and 2) 30 additional clients will require SSI for seven months in fiscal 1993.

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7) Phase IV Child Placement - During fiscal 1992, the department, in cooperation with SRS, intends to provide community services for five developmentally disabled children who need intensive services and are difficult to place. An additional five children will be placed in fiscal 1993. Eligible children include those who currently receive foster care services, but foster care is not reduced because the department expects an increase in the numbers of developmentally disabled children served during the 1993 biennium. Eligible children currently include nine who have been placed out-of-state at costs ranging from \$53 per day at Excelsior in Spokane to \$280 per day at Pines Home in Virginia. One eligible child is currently at MDC, but MDC's revised role in Montana's developmental disabilities service system is not well suited to children. Therefore, the legislature approved \$82 per day per child or \$150,000 in fiscal 1992 and \$300,000 in fiscal 1993 for in-state community services for these children. General fund provides \$42,435 in fiscal 1992 and \$84,300 in fiscal 1993, while federal Title XIX Medicaid funds provide \$107,565 in fiscal 1992 and \$215,700 in fiscal 1993. As of November 30, 1991 the department was working with two clients, but no children had yet been placed.

8) MDC Phase IV Case Management - The legislature approved approximately \$81,200 per year for case management services to 114 additional developmentally disabled clients who will be in community services in the 1993 biennium. Fifty-four clients will be moved from MDC to community services during the 1991 biennium, 30 will be moved during the 1993 biennium, and an additional 30 will come from waiting lists of those needing intensive levels of service. This budget modification includes \$91,500 per year for specialized training for case managers. The remaining \$71,700 for each year is for 2.75 FTE and case management expenses. The funding sources for this appropriation are: 1) general fund of \$29,664 in fiscal 1992 and \$29,665 in fiscal 1993; and 2) federal Title XIX funds of \$51,546 in fiscal 1992 and \$51,535 in fiscal 1993. As of November 30, 1991, two of the 2.75 positions were unfilled.

9) Native American Services - Title IV-E requires each state to provide foster care services to all eligible children, including Native American children on reservations. Since the department anticipates serving an additional 250 Native American children in the 1993 biennium, the legislature approved an additional \$1,985,600 for this service. DFS is negotiating agreements for service with each tribe in compliance with Title 18, Chapter 11, MCA. Funds may be used to contract for direct services or pay for placement services. Funding is \$280,863 general fund and \$711,937 federal funds in fiscal 1992, and \$278,977 general fund and \$713,823 federal funds in fiscal 1993.

10) Youth Treatment Services - The legislature approved 1.0 FTE each year and general fund of \$1,770,656 in fiscal 1992 and \$1,764,354 in fiscal 1993 to provide residential psychiatric treatment to children and adolescents. House Bill 304, enacted by the 1989 legislature as a pilot program, authorized Medicaid funding for residential psychiatric treatment during the 1991 biennium. Federal Medicaid funding was appropriated to SRS to be matched by foster care monies appropriated to DFS. This modification would provide state match for the federal Medicaid funds requested by SRS to continue and expand residential psychiatric treatment during the 1993 biennium. The department must reserve at least \$1.3 million for the biennium for residential psychiatric treatment, and it may use the remainder of the funds for a

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continuum of services. The department presented the continuum of services plan required in House Bill 2 to the Legislative Finance Committee in November, 1991. As of November 30, 1991, the approved position was not filled, but the department expected that it would be filled on December 30, 1991.

11) Field Equipment - The legislature approved general fund of \$20,000 each year for locking file cabinets, desks, and chairs for the regional offices. A June 1990 legislative audit report recommended that the department prioritize equipment needs and purchase locking filing cabinets for the storage of confidential case files. The report stated that file confidentiality has not been maintained because: 1) security has been inadequate; and 2) budget restraints have prevented the purchase of adequate locking files. This budget modification would allow the purchase of four files and two desks and chairs for each region each year. The department estimates that the fiscal 1992 funds have been totally expended.

12) SB 37 - Youth Detention Services - The legislature required counties to provide youth detention centers and provides state grants from lottery proceeds for a portion of the detention services, including short-term detention and transportation. The legislature increased HB 2 general fund appropriations to DFS by \$5,105 in fiscal 1992 and \$33,613 in HB 2 for aftercare services to youth who are served by DFS.

Other bills that impact youth detention services are: 1) House Bill 74, which authorizes a county levy for juvenile detention programs; 2) Senate Bill 56, which restricts placement or evaluation of predispositional youth at a state youth correctional facility (Pine Hills or Mountain View), requires counties to pay the cost of youth evaluations, and requires parents who are financially able to contribute to the cost of youth evaluations; 3) Senate Bill 59, which prohibits the placement of youth in need of supervision in a jail, secure detention facility, or a correctional facility.

13) Foster Care Provider Rate Increases - The legislature approved a 4.5 percent annual provider rate increase as a current level adjustment for foster care. These increases were funded with: 1) general fund of \$372,769 in fiscal 1992 and \$762,314 in fiscal 1993; and 2) federal funds of \$135,092 in fiscal 1992 and \$1,038,576 in fiscal 1993. The fiscal 1992 increases have been implemented.

14) Day Care Increases - Effective October 1, 1991, family and group day care providers receive increases of \$1 per day, and day care centers receive an increase of \$0.50 per day. In fiscal 1993, family day care providers will receive an additional \$0.75 per day and group care providers receive an additional \$0.25 per day. The general fund appropriation of \$38,708 in fiscal 1992 and \$58,083 in fiscal 1993 is to be reduced and federal block grant funds are to be used for these increases, as allowed by federal regulations.

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- 15) Big Brothers and Sisters Increases - The legislature approved a 5.0 percent annual increase as a current level adjustment for the Big Brothers and Sisters program. The increases were funded with \$8,250 in fiscal 1992 and \$16,913 in fiscal 1993. Contracts have been awarded, subject to available funding.
- 16) Day Care Resource and Referral - The legislature approved \$428,568 for the biennium to expand the resource and referral program begun by the 1989 legislature. Funding is \$15,000 general fund and \$413,568 federal funds. The \$15,000 general fund was used for contracts that were extended from July 1 to October 1, 1991.
- 17) Juvenile Detention Costs - The government unit responsible for committing an individual to a local detention center is required by section 7-32-2242, MCA to pay the cost of holding that individual. The legislature approved \$44,000 each year to pay for costs of holding juveniles who are in the custody of the department. As of November 30, 1991, \$3,045 had been spent.
- 18) Mountain View Staff Increases - The legislature approved an additional 1.36 FTE and general fund of \$34,902 in fiscal 1992 and \$33,675 in fiscal 1993 to provide increased services to residents of Mountain View School. The additional FTE are: 1) 1.0 FTE cottage life attendant to increase cottage staffing; and 2) 0.36 FTE foreign language teacher to meet school accreditation standards. As of November 30, 1991, the 0.36 FTE foreign language position had not been filled.
- 19) Pine Hills Staff Increases - The legislature approved 3.0 FTE cottage life attendants at a general fund cost of \$61,757 in fiscal 1992 and \$61,707 in fiscal 1993. These FTE would provide additional supervision and security during regular work hours, particularly in the more secure lodges where the high risk population has been increasing. The facility is rated as a 100-bed facility with a maximum capacity of 120 residents. Since the average daily population exceeds maximum capacity, residents are being housed in program areas. The department estimates that a reduced referral rate and a shorter length of stay will mitigate overcrowding. However, the department estimates that the remaining population will be higher risk and will require more security to prevent violence and escapes. As of November 30, 1991, two of the three positions had been filled.

DEPARTMENT OF FAMILY SERVICES

Other General Fund Appropriations

Bill Number and Description	Pgm	FTE	Fiscal 1992 Approp.	Expended Thru Nov.	Percent Expended	FTE	Fiscal 1993 - Approp.
1) HB 569 Management Information System	01		\$547,339	\$0	0.00%		
2) HB 371 In-Home Aging Services	02		200,000	0	0.00%		
3) HB 489 Foster Care Clothing	02		266,186	Implemented	NA		
4) HB 491 Foster Care Respite Care	02		100,000	0	0.00%		
Totals		0.00	\$1,113,525	\$0	0.00%	0.00	\$0

HB 569 - Management Information System - The legislature appropriated general fund of \$547,339 for the biennium and federal funds of \$138,312 each year for a management information system. The general fund earmarked for this system is the lesser of the appropriated amount or the amount available from the Department of Social and Rehabilitation Services' (SRS) unreconciled special revenue fund balance after funding the appropriation to the TEAMS project in SRS. The total appropriation of \$912,893 for the management information system includes this appropriation of \$923,963 for the biennium and a biennial appropriation of \$88,930 in House Bill 2. No funds had been expended from the House Bill 569 appropriation as of November 30, 1991, but \$1,440 of the House Bill 2 general fund appropriation had been spent.

HB 371 - In-home Aging Services - The legislature appropriated general fund of \$200,000 for the biennium to the Department of Family Services to provide in-home aging services. The funds are granted to the Area Agencies on Aging as provided in section 53-5-101, MCA, for the purpose of providing additional in-home services to the elderly to enable them to remain in their homes. No funds had been expended as of November 30, 1991.

HB 489 - Foster Care Clothing - The legislature appropriated general fund of \$266,186 and federal funds of \$112,996 for the biennium for clothing for children placed in foster homes. This appropriation increases the allowance per child from approximately \$100 each year paid in the 1991 biennium to a maximum of \$300 per year in the 1993 biennium. While this bill has been implemented, the actual amount spent as of November 30, 1991 does not appear in SRS.

HB 491 - Foster Care Respite Care - The legislature appropriated general fund of \$100,000 for the biennium to provide respite care for foster children who are: 1) developmentally disabled and either on a respite care waiting list or not eligible for other respite care; 2) medically demanding; or 3) suffering from severe emotional problems. Respite care may be provided on an hourly, daily, or weekly basis to the extent that funds are available. No funds had been expended as of November 30, 1991.



NATURAL RESOURCES & COMMERCE

PUBLIC SERVICE REGULATION

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	47.00		47.00	47.00		47.00	
Personal Services	1,509,816	83,396	1,593,212	1,508,757	134,570	1,643,327	3,236,539
Operating Expenses	595,599	0	595,599	445,285	0	445,285	1,040,884
Equipment	36,105	0	36,105	39,579	0	39,579	75,684
Total Costs	\$2,141,520	\$83,396	\$2,224,916	\$1,993,621	\$134,570	\$2,128,191	\$4,353,107
Fund Sources							
General Fund	2,096,986	82,196	2,179,182	1,949,128	132,583	2,081,711	4,260,893
Federal Revenue Fund	25,137	1,200	26,337	25,113	1,987	27,100	53,437
Proprietary Fund	19,397	0	19,397	19,380	0	19,380	38,777
Total Funds	\$2,141,520	\$83,396	\$2,224,916	\$1,993,621	\$134,570	\$2,128,191	\$4,353,107

Agency Description

The Department of Public Service Regulation regulates the public utility, motor carrier, and railroad industries to provide safe, reliable, and adequate services at the lowest achievable cost to the consumers while concurrently providing the regulated industries with a fair and reasonable return on their investment for the services rendered. The department is provided for in Sections 2-15-2601 and 69-1-102, MCA, and operates under one program, the Public Service Commission. This program is overseen by five commissioners elected from districts throughout Montana.

Executive Budget Proposal

The Executive Budget proposes no changes in the agency's appropriations. Any reduction in the PSC budget causes a corresponding decrease in the tax utilities pay to the general fund.

PUBLIC SERVICE REGULATION

General Fund Budget Modifications

Modification Description	Pgm	Fiscal 1992			Fiscal 1993		
		FTE	Approp.	Expended Thru Nov.	Percent Expended	FTE	Approp.
1) Travel/Registration Fees	01		\$25,000	\$8,119	32.48%		\$0
2) Exempt Positions	01		14,400	0	0.00%		14,400
3) PSC Relocation	01		176,310	21,474	12.18%		108,120
4) Log Hauler Regulation-HB192	01	1.00	23,639	5,384	22.78%	1.00	20,027
Totals		1.00	\$239,349	\$34,977	14.61%	1.00	\$142,547

1) The Travel/Registration Fees modification is a biennial appropriation to enhance participation in local and interstate conferences and commission hearings.

2) The Exempt Positions modification provides authority for the Commission to increase salaries for the ten exempt positions in the department. The department is using this authority to help meet the 4 percent vacancy savings and not for salary increases.

3) The PSC Relocation modification provides increased rent and one-time-only moving costs in fiscal 1992 for relocation out of the Department of Highway's building due to enactment of Senate Bill No. 164 (creating the Department of Transportation). Rental costs at the new location are \$9,275 per year less than appropriated.

4) The Log Hauler Regulations-HB192 modification implements House Bill No. 192, which pertains to the transportation of logs as a regulated commodity. The 1.0 FTE has already been hired.

DEPARTMENT OF FISH, WILDLIFE & PARKS

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	553.03		553.03	553.13		553.13	
Personal Services	15,526,987	1,033,817	16,560,804	15,323,416	1,631,858	16,955,274	33,516,078
Operating Expenses	14,928,263	0	14,928,263	12,345,982	0	12,345,982	27,274,245
Equipment	1,614,957	0	1,614,957	1,520,127	0	1,520,127	3,135,084
Capital Outlay	10,000	0	10,000	10,000	0	10,000	20,000
Grants	1,567,244	0	1,567,244	461,053	0	461,053	2,028,297
Benefits and Claims	3,000	0	3,000	3,000	0	3,000	6,000
Transfers	3,061,450	0	3,061,450	3,265,367	0	3,265,367	6,326,817
Total Costs	\$36,711,901	\$1,033,817	\$37,745,718	\$32,928,945	\$1,631,858	\$34,560,803	\$72,306,521
Fund Sources							
General Fund	423,055	7,682	430,737	423,064	12,396	435,460	866,197
State Revenue Fund	23,019,436	827,678	23,847,114	20,072,969	1,296,381	21,369,350	45,216,464
Federal Revenue Fund	10,852,012	189,905	11,041,917	10,024,403	304,808	10,329,211	21,371,128
Capital Projects Fund	18,600	0	18,600	0	0	0	18,600
Proprietary Fund	2,398,798	8,552	2,407,350	2,408,509	18,273	2,426,782	4,834,132
Total Funds	\$36,711,901	\$1,033,817	\$37,745,718	\$32,928,945	\$1,631,858	\$34,560,803	\$72,306,521

Agency Description

The Montana Department of Fish, Wildlife, and Parks, under direction of the Fish, Wildlife and Parks Commission, is responsible for managing Montana's fish, wildlife, and recreational resources and with providing optimum outdoor recreational opportunities for Montanans and their guests. The department is responsible for a state park system that includes scenic, historical, cultural, and recreational resources. Implementation of the department's programs occur in seven department divisions in addition to the director's office and within eight regional field offices throughout the state. The five-member Fish, Wildlife and Parks Commission provides policy to the department on resource management, seasons, and use of lands owned or controlled by the department.

DEPARTMENT OF FISH, WILDLIFE & PARKS

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Parks Vacancy Savings	06	(\$34,459)	\$0	(\$34,459)	(\$34,837)	\$0	(\$34,837)
Totals		(\$34,459)	\$0	(\$34,459)	(\$34,837)	\$0	(\$34,837)

1) Parks Vacancy Savings - The Executive Budget proposes to reduce personal services appropriations in the Park Futures Committee budget modification and the Montana Conservation Corps by 8 percent per year. The entire amount of the reduction in the budget modification is contained in the non-expended balance. Implementation of the Montana Conservation Corps will be delayed slightly and the \$4,376 savings is "one-time" since the program is expected to be fully operational in the 1995 biennium. House Bill 2 imposed 4 percent vacancy savings on the agency for the 1993 biennium. The Executive budget proposes an additional 18.84 percent in fiscal 1992 and 18.48 percent in fiscal 1993 in positions funded totally or partially with general fund. Although the entire reduction is in personal services, the agency may transfer operational authority to personal services if vacancy savings are inadequate to meet the reduction.

General Fund Budget Modifications

Modification Description	Pgm	Fiscal 1992			Fiscal 1993		
		FTE	Approp.	Expended Thru Nov.	FTE	Approp.	
1) Park Futures Committee	06	4.06	\$368,356	\$60,133	4.06	\$368,364	
Totals		4.06	\$368,356	\$60,133	4.06	\$368,364	

DEPARTMENT OF FISH, WILDLIFE & PARKS

1) The Park Futures Committee modification addresses recommendations of the State Park Futures Committee. The committee recommended an accelerated five-year schedule for park improvements which would require an additional \$6,313,000 and 30.24 FTE per year. The legislature approved general fund to fund a portion of the committee's recommendation. As of December 1991, 1.21 FTE have been hired.

Agency Description

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DEPARTMENT OF STATE LANDS

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Vacant Position	01	(\$32,000)	\$0	(\$32,000)	(\$36,000)	\$0	(\$36,000)
2) Program Reductions	01	(8,500)	0	(8,500)	0	0	0
3) Equalization Payments	01	(21,200)	0	(21,200)	(21,200)	0	(21,200)
4) Program Reduction	03	(24,774)	0	(24,774)	(25,663)	0	(25,663)
5) Program Reduction	04	(42,000)	0	(42,000)	(15,000)	0	(15,000)
6) Nursery Program Reduction	25	(18,000)	0	(18,000)	(18,000)	0	(18,000)
7) Appraiser Position	25	(33,000)	0	(33,000)	(33,000)	0	(33,000)
8) Seasonal Employees	25	(48,987)	0	(48,987)	(49,667)	0	(49,667)
9) NW Field Office Vacancy	25	(5,000)	0	(5,000)	(15,000)	0	(15,000)
10) Program Reductions	25	(50,000)	0	(50,000)	(50,000)	0	(50,000)
11) Swan River Lumber	25	(5,000)	0	(5,000)	(5,000)	0	(5,000)
12) Fire Retardant Contract	25	(2,000)	0	(2,000)	0	0	0
13) Rebuild Engines	25	(35,250)	0	(35,250)	(23,500)	0	(23,500)
14) Fire Capital	25	0	0	0	(13,333)	0	(13,333)
15) Metal Building	25	(24,000)	0	(24,000)	0	0	0
16) Federal Fire Reimbursement	25	0	(56,000)	(56,000)	0	(56,000)	(56,000)
17) Nursery Funds	25	(35,000)	35,000	0	(35,000)	35,000	0
18) Slash Funds	25	(60,000)	60,000	0	(60,000)	60,000	0
19) Forest Fire FY92 Costs	25	6,373,650	0	6,373,650	0	0	0
Totals		\$5,928,939	\$39,000	\$5,967,939	(\$400,363)	\$39,000	(\$361,363)

1, 2, 4, 5, 6, 7, 8, 9, 10) Vacancy Savings - House Bill 2 imposed 4 percent in vacancy savings on the agency for the 1993 biennium. The Executive Budget proposes vacancy savings of \$262,262 in fiscal 1992 and \$242,330 in fiscal 1993 for an additional 4.06 percent vacancy savings in all programs in fiscal 1992 and 3.44 percent in fiscal 1993 in positions funded totally or partially with general fund. Approximately \$65,176 of the fiscal 1992 reduction and approximately \$29,676 of the fiscal 1993 reduction is contained in the non-expended balance of budget modifications. Although the reductions are in personal services, the Executive Budget notes that operational authority may be transferred to personal services if vacancy savings are inadequate to meet the reduction.

DEPARTMENT OF STATE LANDS

- 3) Equalization Payments - Since 1986, \$265,000 has been appropriated annually to counties as payment in lieu of taxes, even though this amount is less than the amount required by the statutory formula. The Executive Budget proposes to reduce the \$265,000 appropriation by 8 percent each year.
- 11, 12) Operations Reductions - The Executive Budget proposes reductions in Forestry operating expenses as follows: 1) \$2,000 less fire retardant in fiscal 1992, and 2) \$5,000 less timber purchased from state-owned land each year.
- 13, 14, 15) Equipment Reductions - Forestry equipment reductions of \$59,250 in fiscal 1992 and \$36,833 in fiscal 1993 proposed in the Executive Budget are for: 1) less fire suppression equipment engine rebuilding, 2) elimination of a new metal building, and 3) fewer purchases of new forest fire capital equipment. Approximately \$13,333 of the fiscal 1993 reduction is contained in the non-expended balance of the forestry capital equipment budget modification.
- 16) Federal Fire Reimbursement - The Executive Budget reduces from \$100,000 to \$44,000 per year the amount of reimbursements from federal agencies to the Forestry Division which the agency can spend for its administrative assistance in fighting "federal" fires. Federal fire reimbursement funds not appropriated to the agency are deposited in the general fund. Therefore, this reduction in federal appropriations increases the revenue to the general fund.
- 17, 18) Nursery/Slash Funding Switch - General fund operating expenses in the Forestry Division will be reduced by \$95,000 each year and replaced by \$60,000 of excess fund balance in the slash account and \$35,000 generated by a \$.03 increase in nursery seedling prices. The slash account receives deposits from fire hazard reduction agreement fees and a \$0.60 fee per 1,000 board feet up to 500,000 board feet on all private timber cut in the state.
- 19) Forest Fire FY92 Costs - The Executive Budget proposes a general fund increase of \$6,373,650 in the Forestry Division's operating budget to pay fire suppression costs incurred in fiscal 1997. In the past, a supplemental has been requested in the second year of the biennium when costs can be better documented. Approximately \$1 million of these costs are expected to be reimbursed by the federal government, of which \$44,000 is in the Executive Budget proposal and the remainder is deposited in the general fund.

DEPARTMENT OF STATE LANDS

General Fund Budget Modifications

Modification Description	Pgm	-- Fiscal 1992 --			-- Fiscal 1993 --		
		FTE	Approp.	Expended Thru Nov.	Percent Expended	FTE	Approp.
1) Trust Land Access	01		\$300,000	\$6,412	2.14%		\$0
2) Helena Office Support Staff	01	2.00	16,451	8,226	50.00%		16,350
3) Revised Lease for Office Space	01		82,992	41,496	50.00%		82,992
4) Trust Land Management	04	2.25	90,629	1,039	1.15%	4.75	115,923
5) State/County Cooperative Fire	25	0.50	43,040	31,590	73.40%	1.08	42,670
6) Block 5 and Philipsburg Fire	25	2.65	67,425	10,107	14.99%	3.35	68,458
7) Best Management Practices	25	1.00	23,435	4,083	17.42%	1.00	23,437
8) Forestry Capital Equipment	25		100,383	95,783	95.42%		100,383
9) Best Management Practices Audit	25		10,000	0	0.00%		0
10) HB 731 - Streamside Mgn. Zones	25	1.25	52,463	0	0.00%	1.25	37,018
Totals		9.65	\$786,818	\$198,736	25.26%	11.43	\$487,231

1) The Trust Land Access budget modification provides \$250,000 for the development of an economic study of the surface uses of state lands, with emphasis on recreational uses. In addition, it provides \$50,000 start-up costs for implementation of House Bill No. 778 which allows recreational use of state lands by the public. The department has already conducted an environmental assessment of the proposed new regulations governing public use of state-owned land and has held public meetings throughout the state.

2) The Helena Office Support Staff budget modification provides support in the area of computer maintenance, training, and assistance. This modification contains \$63,592 of funds other than general fund for the biennium. As of December 1991, 1.00 FTE has been hired.

3) The Revised Lease for Office Space funds the rental of 10,800 square feet of additional office space within the same building currently occupied by the department's central offices. The move was completed in January 1991.

4) The Trust Land Management modification funds additional positions to assist with lease stipulations and follow-up field reviews, illegal land use investigations, and resource planning on grazing, agricultural, mineral, and special use lands. In addition, the department has expanded its investigations of land exchanges, land sales, land use licenses, right-of-way easements, and other land-related issues on trust lands. As of December 1991, no FTE have been hired.

DEPARTMENT OF STATE LANDS

- 5) The State/County Cooperative Fire modification expands the State/County Cooperative Fire program to include Lake, Lincoln, and Sanders counties in cooperative fire control agreements with the state. From 1967 to date, the department has entered into cooperative fire protection agreements with 49 counties. The state/county agreements specify the general duties and responsibilities of each entity in fire protection and cooperation. The state provides willand fire training and equipment to the counties for unprotected areas. The county, state, and federal agencies provide mutual aid on an as-needed basis for suppression. This modification also contains \$42,850 in funds other than general fund for the biennium. As of December 1991, none of the seasonal firefighting FTE has been hired.
- 6) The Block 5 and Phillipsburg Fire modification provides the necessary resources to assume full fire protection responsibilities for additional state and private lands in two main categories: 1) state and private forests acreage currently contracted with the U.S. Forest Service for fire protection; and 2) the new Phillipsburg Forest Fire Protection District. The department currently contracts with the U.S. Forest Service for fire protection on blocks of state and private land. In exchange, the department provides protection on some federal land. There are currently \$8,000 more state and private acres protected by the U.S. Forest Service than federal acres protected by the department. This budget modification allows the department to assume this final block of wildfire protection acreage which will end this acreage imbalance. Since 1984, the legislature has approved the transfer of four blocks of fire protection responsibility by the department. The majority of the land in this final transfer involves federal land in the Dillon area. This modification also funds the creation of the Phillipsburg Forest Fire Protection District, consisting of 120,000 acres of private and state land now in the Anaconda Protection Unit. This modification also contains \$67,940 in funds other than general fund for the biennium. As of December 1991, no FTE have been hired.
- 7) The Best Management Practices modification adds additional personnel to handle an accelerating caseload in the Forest Practices program. House Bill 678 (1989 legislative session) implemented this program which helps loggers and forest landowners avoid impacts on water quality by using best management practices (BMP). DSL foresters review harvest plans, provide BMP information, do pre-harvest field consultations on priority areas, and re-visit a limited number of sites after harvest to rate BMP application and effectiveness. As of December 1991, .25 FTE (25% of a full FTE) has been hired.
- 8) The Forestry Capital Equipment funds new vehicles. In recognition of historically insufficient funding replacement of equipment, the 1989 appropriations subcommittee asked the department to prepare a vehicle replacement schedule for submission to the 1991 legislature. Replacement schedules for seven classes of vehicles were developed based on either age or mileage. This modification represents less than 40 percent of the total amount for the first biennium to phase in the full biennial replacement schedule of \$721,826. Such a vehicle replacement schedule would allow the department to plan for systematic replacement of vehicles to reduce the average age of its 282 vehicle fleet. This modification also contains \$84,234 in funds other than general fund for the biennium.
- 9) The Best Management Practices Audit modification provides general fund as a biennial appropriation to conduct audits, in consultation with the Environmental Quality Council, of the application and effectiveness of voluntary best management practices for timber sales.

DEPARTMENT OF STATE LANDS

10) The HB 731 - Streamside Management Zones modification provides staff and funding to develop rules implementing forest practices streamside management standards and to inspect and conduct on-site consultations of federal, state or private land and to review harvest plans and watershed conditions. As of December 1991, no FTE have been hired.

Issues

- 1) By statute, the agency may collect up to one-third of its annual fire protection appropriation from assessments for fire suppression on owners of classified forest land. Each landowner can be assessed up to \$30 plus an additional \$0.20 for each acre over a 20 acre minimum. Since the Executive Budget proposes a decrease in the fiscal 1993 appropriation for fire protection, the agency estimates that the fiscal 1993 appropriation for landowner assessments needs to be reduced by \$43,250.
- 2) Executive Order 28-91 proposed the elimination of funding (\$250,000) for an economic study of the surface uses of state lands contained in the trust land access budget modification. The department has already conducted an environmental assessment of the proposed new regulations governing public use of state-owned land and concluded that the economic study was not needed. However, since holding public meetings throughout the state, the agency now feels that the study is warranted. Therefore, the Executive Budget does not propose eliminating funding for this study.
- 3) The Executive Budget proposes to amend section 20-9-341, MCA to include funds from the sale of timber from state school lands as "interest and income moneys" so that 95 percent of the income (after 2.5 percent is deducted according to section 77-1-607, MCA) would be deposited into the state equalization account and 5 percent would be added to the public school trust. Under this amendment, 92.625 percent of the revenue would be deposited into the state equalization account, 2.375 percent deposited to the department's resource development account, and 5 percent deposited into the public school trust. Currently, all income from the sale of state-owned timber goes to the public school trust.

DEPARTMENT OF LIVESTOCK

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	119.71		119.71	117.71		117.71	
Personal Services	3,348,963	223,721	3,572,684	3,313,216	350,795	3,664,011	7,236,695
Operating Expenses	1,411,851	0	1,411,851	1,220,060	0	1,220,060	2,631,911
Equipment	155,489	0	155,489	147,241	0	147,241	302,730
Total Costs	\$4,916,303	\$223,721	\$5,140,024	\$4,680,517	\$350,795	\$5,031,312	\$10,171,336
Fund Sources							
General Fund	777,673	36,663	814,336	772,882	59,390	832,272	1,646,608
State Revenue Fund	3,864,032	171,628	4,035,660	3,632,722	266,585	3,899,307	7,934,967
Federal Revenue Fund	274,598	15,430	290,028	274,913	24,820	299,733	589,761
Total Funds	\$4,916,303	\$223,721	\$5,140,024	\$4,680,517	\$350,795	\$5,031,312	\$10,171,336

Agency Description

The Department of Livestock is responsible for the control and eradication of animal diseases, preventing the transmission of animal disease to humans, and protecting the livestock industry from theft and predatory animals. The department, which is provided for in Section 2-15-3101, MCA, consists of the Board of Livestock and its appointed executive secretary; the Livestock Crimestopper's Commission; the Pork Research and Marketing Committee; and the Beef Research and Marketing Committee. The department is organized into five divisions: Animal Health, Centralized Services, Brands-Enforcement, Diagnostic Laboratory, and Meat, Milk, and Egg Inspection. The Board of Livestock, which is statutorily the head of the Department of Livestock, consists of seven members appointed by the Governor and confirmed by the Senate to serve six-year terms.

DEPARTMENT OF LIVESTOCK

Executive Budget Proposal

Description	Pgm	Fiscal 1992		Fiscal 1993		Total Funds
		General Fund	Other Funds	General Fund	Other Funds	
House Bill 2						
1) Funding Switch	01	(\$20,000)	\$20,000		\$20,000	\$0
2) Funding Switch	03	(45,000)	45,000	(\$20,000)	0	0
Totals		(\$65,000)	\$65,000	(\$20,000)	\$20,000	\$0

1) Funding Switch - The agency will reduce its general fund appropriation for indirect cost allocations and increase the appropriation for federal indirect costs. Increased federal funds are available due to the Governor's authorization of a supplemental in the Meat and Poultry Inspection program (see the issue discussed below). This will have no net effect on the general fund, since in the past the agency had deposited additional federal funds collected from indirect cost allocations in the general fund.

2) Funding Switch - The Executive Budget proposes that the diagnostic laboratory's fiscal 1992 general fund personal services appropriation be reduced by \$45,000 and replaced by excess fund balance in the agency's state special revenue account.

Issue

On September 18, 1991 the Governor declared that a "potential economic emergency" existed which necessitated a transfer from the Meat and Poultry Inspection program's fiscal 1993 appropriation to fiscal 1992. The fiscal 1992 supplemental totals \$65,512 general fund, \$65,512 federal funds, and 4.0 FTE to fund a budget modification not approved by the 1991 legislature. The executive plans to request a \$153,254 general fund and \$153,254 federal fund supplemental from the 1993 legislature for this modification.

DEPARTMENT NATURAL RESOURCE AND CONSERVATION

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	262.20		262.20	262.20		262.20	
Personal Services	7,734,407	500,031	8,234,438	7,723,339	804,683	8,528,022	16,762,460
Operating Expenses	4,641,041	0	4,641,041	3,841,843	0	3,841,843	8,482,884
Equipment	519,065	0	519,065	183,447	0	183,447	702,512
Capital Outlay	8,487,925	0	8,487,925	0	0	0	8,487,925
Local Assistance	95,000	0	95,000	95,000	0	95,000	190,000
Grants	536,589	0	536,589	625,589	0	625,589	1,162,178
Debt Service	56,726	0	56,726	56,794	0	56,794	113,520
Total Costs	\$22,070,753	\$500,031	\$22,570,784	\$12,526,012	\$804,683	\$13,330,695	\$35,901,479
Fund Sources							
General Fund	4,648,968	227,507	4,876,475	4,559,198	366,499	4,925,697	9,802,172
State Revenue Fund	8,979,329	223,666	9,202,995	6,412,433	359,332	6,771,765	15,974,760
Federal Revenue Fund	8,442,456	48,858	8,491,314	1,554,381	78,852	1,633,233	10,124,547
Total Funds	\$22,070,753	\$500,031	\$22,570,784	\$12,526,012	\$804,683	\$13,330,695	\$35,901,479

Agency Description

The Department of Natural Resources and Conservation (DNRC) is responsible for ensuring the wise management, development, conservation, and use of some of Montana's natural resources in a manner consistent with environmental quality. It works to sustain and improve the benefits derived from our water, soil, and rangeland; to encourage energy conservation and the use of renewable energy resources; and to make certain that energy facilities and water projects under its jurisdiction are developed with minimum adverse environmental effects. The department directs a wide variety of programs in meeting these and related goals and objectives. The department is provided for in Section 2-15-3301, MCA.

DEPARTMENT NATURAL RESOURCE AND CONSERVATION

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Personal Svc Reduction	21	(\$43,716)	\$0	(\$43,716)	(\$22,145)	\$0	(\$22,145)
2) Personal Svc Reduction	23	(9,113)	0	(9,113)	(7,737)	0	(7,737)
3) Funding Switch	23	(66,523)	0	(66,523)	(66,527)	0	(66,527)
4) Personal Svc Reduction	24	(93,695)	0	(93,695)	(129,479)	0	(129,479)
5) Funding Switch	24	(30,000)	0	(30,000)	0	0	0
6) Funding Switch	24	0	0	0	(80,000)	80,000	0
7) Funding Switch	24	(40,891)	0	(40,891)	(40,908)	0	(40,908)
8) Funding Switch	24	(100,000)	0	(100,000)	0	0	0
9) Funding Switch	24	(87,000)	0	(87,000)	0	0	0
10) Personal Svc Reduction	25	(26,769)	0	(26,769)	0	0	0
11) Personal Svc Reduction	26	(21,935)	0	(21,935)	(3,455)	0	(3,455)
12) Funding Switch	26	(20,000)	20,000	0	(40,000)	40,000	0
Totals		(\$539,642)	\$20,000	(\$519,642)	(\$390,251)	\$120,000	(\$270,251)

1) Personal Services Reduction - Centralized Services Division would reduce personal services expenditures by \$43,716 in fiscal 1992 and \$22,145 in fiscal 1993. This would be done by leaving 2.5 FTE positions vacant all of fiscal 1992, and 0.5 FTE vacant during fiscal 1993.

2) Personal Services Reduction - The Conservation and Resource Development Division would reduce personal services expenditures by \$9,113 in fiscal 1992 and \$7,737 in fiscal 1993. This would be accomplished by holding vacant positions open for a longer period of time.

3) Funding Switch - The Conservation and Resource Development Division would use unexpended water development and reclamation and development state special revenue funds, appropriated prior to 1987 for grants, to reduce general fund expenditures in the division by \$66,523 in fiscal 1992 and \$66,527 in fiscal 1993. These unexpended grants are:

1) Carbon County/Roberts Water System - \$47,500; 2) Cascade Water System - \$50,000; 3) Cataract Creek Reclamation - \$21,565; 4) Grasshopper Creek Restoration - \$2,274; and 5) Cascade Landfill and Park - \$11,711.

DEPARTMENT NATURAL RESOURCE AND CONSERVATION

- 4) Personal Services Reduction - Water Resources Division would reduce personal services expenditures by \$93,695 in fiscal 1992 and \$129,479 in fiscal 1993, by maintaining seven positions vacant throughout the biennium.
- 5) Funding Switch - The agency would use \$30,000 of federal funds to replace a like amount of general fund in Water Resources Division. The agency was awarded two \$15,000 federal grants (from Bureau of Reclamation and Bureau of Land Management) for contested hearings on the Missouri River Reservations proceedings.
- 6) Funding Switch - The agency would increase water rights fees to replace \$80,000 of general fund support in the Water Resources Division in fiscal 1993. The agency would petition the Board of Natural Resources and Conservation to double water rights filing fees, which have generated approximately \$90,000 per year for the past three years.
- 7) Funding Switch - The Executive Budget recommends reducing water development support of the Water Courts (Judiciary) by \$40,891 in fiscal 1992 and \$40,908 in fiscal 1993. The Water Resources Division would use these funds to replace general fund by a like amount each year.
- 8) Funding Switch - The Water Resources Division would use \$100,000 of water development funds appropriated for the Nevada Creek feasibility study to replace general fund in fiscal 1992.
- 9) Funding Switch - The Water Resources Division would use \$87,000 of water development funds appropriated for the Lower Missouri River Environmental Impact Statement (EIS) to replace general fund in fiscal 1992.
- 10) Personal Services Reduction - The Reserved Water Rights Compact Commission (RWROC) would reduce personal services expenditures by \$26,769 in fiscal 1992. This reduction, which represents the RWROC's reduction for both years of the biennium, is possible due to significant vacancy savings already realized in fiscal 1992.
- 11) Personal Services Reduction - The Energy Division would reduce personal services expenditures by \$21,935 in fiscal 1992 and \$3,455 in fiscal 1993, by maintaining one vacant position the entire biennium.
- 12) Funding Switch - The Energy Division would use increased fee income to replace \$20,000 of general fund in fiscal 1992 and \$40,000 of general fund in fiscal 1993. The division charges fees to do environmental assessments for projects seeking Major Facility Siting Act/Montana Environmental Policy Act (MFSA/MEPA) certification. Although the fees charged would not increase, there would be an increase in the amount of fee-producing work done by the division.

DEPARTMENT NATURAL RESOURCE AND CONSERVATION

General Fund Budget Modifications

Modification Description	Pgm	-- Fiscal 1992 --			-- Fiscal 1993 --		
		FTE	Approp.	Expend Thru Nov.	Percent Expended	FTE	Approp.
1) Missouri River/Corps of Engineers Lawsuit 21		0.00	\$25,000	\$0	0.00%	0.00	\$0
2) Statewide RC & D Coordinator 23		1.00	34,357	0	0.00%	1.00	14,438
3) Pay Exceptions-Civ Eng/Env Spec 24		0.00	27,374	Implemented	NA	0.00	27,374
4) Pay Exceptions-Civ Eng/Env Spec 25		0.00	3,948	Implemented	NA	0.00	3,936
5) Pay Exceptions-Civ Eng/Env Spec 26		0.00	10,349	Implemented	NA	0.00	10,042
Totals		1.00	\$101,028	\$0	0.00%	1.00	\$55,790

1) Missouri River/Corps of Engineers Lawsuit - This modification establishes a \$25,000 general fund biennial appropriation to support Montana's share of costs associated with the case jointly filed against the Army Corps of Engineers by Montana, North Dakota and South Dakota. Although the department has not expended any funds from this modification, the lawsuit is ongoing and costs to date have been charged to current level appropriations.

2) Statewide RC & D Coordinator - This modification provides a statewide Resource Conservation and Development coordinator in the Conservation Resource Development Division to assist with grassroots rural economic development activities. Fiscal 1992 contains a \$19,887 continuing appropriation for operating expenses. General fund is used to match a \$48,796 federal fund appropriation. The 1.0 FTE authorized by this modification will not be hired during this biennium. However, through an agreement with U.S. Soil Conservation Services, one of their staff will perform this service beginning in January, 1992. DNRC will use funds appropriated in this modification to pay the U.S. Soil Conservation Service.

3) Pay Exceptions--Civil Engineers/Environmental Specialists - This modification provides funds for "blanket" pay exceptions for these classifications which have been approved for the 1993 biennium in the Water Resources and Planning Program. An additional \$90,736 is also appropriated each year, and is funded with state special revenue including RIT interest, water rights appropriation funds, and Broadwater operations and maintenance funds. Although this modification has been implemented, the department is unable to identify how much has been expended through November, due to these funds being included in the division's current level SBAS appropriation.

4) Pay Exceptions--Civil Engineers/Environmental Specialists - This modification funds "blanket" pay exceptions for these classifications in the Reserved Water Rights Compact Commission. State special revenue from the RIT reclamation

DEPARTMENT NATURAL RESOURCE AND CONSERVATION

and development account has also been appropriated: \$7,331 in fiscal 1992, and \$7,311 in fiscal 1993. The modification has been implemented.

5) Pay Exceptions--Civil Engineers/Environmental Specialists - This modification appropriates general fund for a portion of the cost of "blanket" pay exceptions for these classifications in the Energy Planning Program. Other appropriated funds include \$1,150 in fiscal 1992, and \$1,117 in fiscal 1993 from the major facility siting state special revenue account. This modification has been implemented.

DEPARTMENT OF AGRICULTURE

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	99.04		99.04	99.09		99.09	
Personal Services	2,680,424	188,067	2,868,491	2,682,388	301,679	2,984,067	5,852,558
Operating Expenses	1,536,799	0	1,536,799	1,564,787	0	1,564,787	3,101,586
Equipment	217,035	0	217,035	137,058	0	137,058	354,093
Grants	<u>2,244,630</u>	<u>0</u>	<u>2,244,630</u>	<u>2,247,512</u>	<u>0</u>	<u>2,247,512</u>	<u>4,492,142</u>
Total Costs	\$6,678,888	\$188,067	\$6,866,955	\$6,631,745	\$301,679	\$6,933,424	\$13,800,379
Fund Sources							
General Fund	1,191,796	57,321	1,249,117	1,033,252	87,167	1,120,419	2,369,536
State Revenue Fund	4,748,216	100,965	4,849,181	4,857,878	166,539	5,024,417	9,873,598
Federal Revenue Fund	442,633	13,886	456,519	443,341	22,824	466,165	922,684
Proprietary Fund	11,198	0	11,198	11,251	0	11,251	22,449
Expendable Trust Fund	<u>285,045</u>	<u>15,895</u>	<u>300,940</u>	<u>286,023</u>	<u>25,149</u>	<u>311,172</u>	<u>612,112</u>
Total Funds	\$6,678,888	\$188,067	\$6,866,955	\$6,631,745	\$301,679	\$6,933,424	\$13,800,379

Agency Description

Article XII, Section 1 of the Montana Constitution requires the legislature to establish the Department of Agriculture. The department is organized into four divisions: Centralized Services, Agricultural and Biological Sciences, Plant Industry, and Agricultural Development. The department was established to encourage and promote the interests of agricultural and allied industries in Montana. It collects and publishes agricultural production and marketing statistics relating to agricultural products; assists, encourages, and promotes the organization of farmers' institutes, agricultural societies, fairs, and other exhibitions of agriculture; adopts standards for grade and other classifications of farm products; coordinates in devising and maintaining economical and efficient marketing distributions systems; gathers and administers marketing information concerning supply, demand, price, and movement of farm products; and administers regulations pertaining to production and marketing of food and fiber products.

DEPARTMENT OF AGRICULTURE

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Operational Reductions	30	(\$80,174)	\$0	(\$80,174)	(\$69,685)	\$0	(\$69,685)
2) Vacancy Savings	50	(19,756)	0	(19,756)	(19,949)	0	(19,949)
Totals		(\$99,930)	\$0	(\$99,930)	(\$89,634)	\$0	(\$89,634)

1) Operational Reductions - The Executive Budget proposes to reduce pesticide education for retailers and homeowners and analyses of groundwater samples in the pesticide and agricultural chemical groundwater programs.

2) Vacancy Savings - Senate Bill 3 extended the sunset of the Agricultural Assistance and Counseling program until July 1, 1993 and provided for 2.00 FTE. The Executive Budget proposes to eliminate funding for 1.00 FTE in this program and to use other staff to ensure federal matching requirements can be met.

DEPARTMENT OF COMMERCE

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	348.30		348.30	350.80		350.80	
Personal Services	10,439,260	640,467	11,079,727	10,515,060	1,042,404	11,557,464	22,637,191
Operating Expenses	18,256,185	0	18,256,185	17,535,254	0	17,535,254	35,791,439
Equipment	629,701	0	629,701	180,063	0	180,063	809,764
Local Assistance	1,601,882	0	1,601,882	1,920,088	0	1,920,088	3,521,970
Grants	28,262,454	0	28,262,454	25,961,658	0	25,961,658	54,224,112
Transfers	156,113	0	156,113	155,949	0	155,949	312,062
Total Costs	\$59,345,595	\$640,467	\$59,986,062	\$56,268,072	\$1,042,404	\$57,310,476	\$117,296,538
Fund Sources							
General Fund	3,392,537	97,517	3,490,054	3,100,175	158,917	3,259,092	6,749,146
State Revenue Fund	16,791,141	186,250	16,977,391	15,036,226	300,268	15,336,494	32,313,885
Federal Revenue Fund	25,212,836	44,482	25,257,318	24,705,245	73,952	24,779,197	50,036,515
Proprietary Fund	13,949,081	312,218	14,261,299	13,426,426	509,267	13,935,693	28,196,992
Total Funds	\$59,345,595	\$640,467	\$59,986,062	\$56,268,072	\$1,042,404	\$57,310,476	\$117,296,538

Agency Description

The Department of Commerce, established in 1981 by combining the functions of several state agencies, is responsible for encouraging and promoting commerce-related activities in Montana through a wide spectrum of programs. These programs relate to four major areas: 1) economic development and promotion; 2) assistance to local governments; 3) public safety; and 4) assistance to individuals. In the first area, programs are designed to foster stable, diversified economic development by providing various types of assistance to businesses wishing to develop or expand within the state and internationally. Included are the Business Development Division, Pacific Rim Office, Montana Promotion Division, Montana Health Facilities Authority, Board of Investments, Montana Science and Technology Alliance, and the Office of Research & Information Services. The local government assistance programs include the Local Government Assistance Division, Community Technical Assistance Program, Community Development Block Grant Program, Hard Rock Mining Board, Coal Board, Local Government Audit Program, Local Government Systems Program, Transportation Division, and Aeronautics Division. The public safety area includes programs responsible for activities related to public safety. Programs include Professional and Occupational Licensing, Milk Control, Weights and Measures, Building Codes, Financial Institutions

DEPARTMENT OF COMMERCE

Division, and the Board of Horse Racing. Assistance to individuals is provided through the Board of Housing, Consumer Affairs Unit, and Section 8 housing programs. The Montana Lottery and the Coordinator of Indian Affairs programs are also in the department.

The 1991 legislature transferred Transportation and Aeronautics divisions to the newly created Department of Transportation (formerly Highways). The new department was not created until July 1, 1991, and the 1991 legislature provided appropriations for the affected departments and divisions under the former organizational structure. Since the legislative leadership announced its intention to reintroduce House Bill 2 in the special session and to make amendments from that bill, the departments are shown in their original form to comply with House Bill 2. Budget and appropriation data for the Aeronautics and Transportation (renamed Rail and Transit in the reorganization) divisions are shown in the discussion for the Department of Commerce. However, Executive Budget proposals for those divisions are included in the discussion for the Department of Transportation.

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Fund Balance Transfer	60	(\$500,000)	0	(\$500,000)	(\$1,500,000)	0	(\$1,500,000)
Other Appropriation Bills							
2) HB 990 - L & C Interp Center 52	52	(56,000)	0	(56,000)	0	0	0
Totals		(\$556,000)		(\$56,000)	(\$1,500,000)		(\$1,500,000)

1) Fund Balance Transfer - The Executive Budget transfers \$500,000 of Coal Board grant funds to the general fund in fiscal 1992 and \$1,500,000 in fiscal 1993. In December 1991, the Coal Board had \$1,488,535 of unobligated funds remaining from their fiscal 1992 appropriation and \$2,251,599 from their fiscal 1993 appropriation. A statutory amendment will be required for the transfer, since current law requires the unexpended balance be transferred to the school equalization account.

DEPARTMENT OF COMMERCE

2) HB 990 - Lewis & Clark Interpretative Center - The agency would reduce the \$700,000 biennial appropriation for the Lewis and Clark Interpretative Center by 8 percent (\$56,000) in fiscal 1992. (More discussion of this appropriation appears below.)

General Fund Budget Modifications

Modification Description	Pgm	FTE	Fiscal 1992 Approp.	Expended Thru Nov.	Percent Expended	FTE	Fiscal 1993 Approp.
1) Equipment Replacement	02	0.00	\$59,386	\$26,795	45.12%	0.00	\$24,353
2) Canadian Trade Office	51	0.00	14,816	0	0.00%	0.00	14,741
3) International Affairs Coordinator	51	1.00	38,959	19,617	50.35%	1.00	38,962
4) Automation of Census	61	1.00	63,061	Implemented	NA	1.00	52,266
5) R & D Loans -- SB 242	73	1.00	50,000	Implemented	NA	1.00	50,000
Totals		3.00	\$226,222	\$46,412	20.52%	3.00	\$180,322

1) Equipment Replacement - This modification for the Weights and Measures Bureau will allow replacement of automobiles, trucks, field monitoring equipment, and the purchase of a computer.

2) Canadian Trade Office - This modification for the Business Development Division funds a contract and operating expenses to establish a Canadian trade office to develop opportunities to market products in Canada. In addition to the general fund shown above, \$55,000 of state special revenue from Coal Tax Growth Through Agriculture funds is also appropriated each year. The 1.0 FTE has been hired. Although no general fund expenditures have been made, the department has expended \$10,220 of state special revenue for this modification.

3) International Affairs Coordinator - The modification funds the International Affairs Coordinator in the Business Development Division who will support international projects and provide assistance in areas such as protocol and cultural exchanges. Accommodations tax revenue is also appropriated: \$14,581 in fiscal 1992, and \$14,582 in fiscal 1993. The 1.0 FTE authorized by the modification has been hired.

4) Automation of Census - The federal Bureau of Census (BOC) information is provided to states on magnetic tapes. Only approximately 20 percent of this information is included in the BOC published information. The department will use this authority to make more of the census information available to Montana users. The 1.0 FTE authorized by this modification

DEPARTMENT OF COMMERCE

was hired in September, 1991. Although general fund expenditures have been made relative to this modification, they have been charged to Office of Research and Information Systems' current level appropriation. The department plans to transfer these costs to the modification in December, 1991.

5) R & D Loans - SB242 - This modification implements Senate Bill No. 242, which authorizes the Montana Science & Technology Alliance to lend \$5.1 million of in-state investment funds for research and development projects. The 1.0 FTE authorized by this modification has been hired. Although general fund expenditures are not reflected on SBAS, the department says that \$8,934 of costs have been assigned to the new position.

Other General Fund Appropriations

Bill Number and Description	Pgm	Fiscal 1992		Fiscal 1993	
		FTE	Approp.	FTE	Approp.
1) HB 131-Burial Site Protection Act	70	0.00	\$10,000	0.00	\$0
2) HB 477-Microbusiness Development Act	51	0.00	64,600	0.00	0
3) HB 746-Indian Monument and Flag	70	0.00	6,000	0.00	0
4) HB 990-L & C Interpretive Center	52	0.00	700,000	0.00	0
Totals		0.00	\$780,600	0.00	\$0

1) HB 131 - Burial Site Protection Act - The legislature provided for a biennial appropriation to the newly created Burial Preservation Board to pay expenses for board meetings or expenses incurred in conducting field reviews. The legislation creates and statutorily appropriates funds from a state special revenue account into which are deposited fees, grants or donations. The legislation provides for a \$50 permit for scientific analysis of human skeletal remains or burial material from burial sites. No expenditures have been made to date, but the thirteen member Burial Preservation Board will hold its first meeting in January, 1992.

2) HB 477 - Microbusiness Development Act - The legislature appropriated \$64,600 general fund to pay the costs of the microbusiness finance program in fiscal 1992. In addition, the legislature provided for a \$3,250,000 biennial appropriation from the in-state investment fund for the microbusiness finance program. The program may make loans up to \$250,000 to certified microbusiness development corporations which may use the funds for: 1) matching requirements for state, federal, or private grants; 2) revolving loans to qualified microbusinesses; and 3) guaranteeing loans by financial institutions to qualified microbusinesses. Funds received as grants, donations, fees, and payments of interest on loans made by the department are statutorily appropriated.

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- 3) HB 746 - Indian Monument and Flag - The legislature provided for a biennial appropriation to the Office of State Coordinator of Indian Affairs to erect a monument to American Indians and a Montana tribal flag circle at the capitol and to pay administrative expenses of the advisory committee. No expenditures have been made to date, but the ten member advisory committee will hold its first meeting in January, 1992.
- 4) HB 990 - L & C Interpretive Center - The legislature provided a biennial appropriation of \$700,000 general fund for the planning, design, and all phases of construction for the Lewis and Clark National Historic Trail Interpretive Center. The money, along with \$300,000 of other funds, is to be used as a match to federally appropriated funds on an 8 to 1 basis. If the federal or other matching funds are not received by January 31, 1993, the general fund appropriation reverts to the general fund. Funds included in this modification will not be disbursed until matching funds are secured.



INSTITUTIONS AND CULTURAL EDUCATION

MONTANA ARTS COUNCIL

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	7.97		7.97	7.97		7.97	
Personal Services	225,935	14,720	240,655	225,578	23,527	249,105	489,760
Operating Expenses	218,371	0	218,371	202,902	0	202,902	421,273
Equipment	1,797	0	1,797	0	0	0	1,797
Grants	593,600	0	593,600	20,000	0	20,000	613,600
Total Costs	\$1,039,703	\$14,720	\$1,054,423	\$448,480	\$23,527	\$472,007	\$1,526,430
Fund Sources							
General Fund	139,513	3,796	143,309	121,921	6,099	128,020	271,329
State Revenue Fund	116,778	2,922	119,700	116,771	4,645	121,416	241,116
Federal Revenue Fund	783,412	8,002	791,414	209,788	12,783	222,571	1,013,985
Total Funds	\$1,039,703	\$14,720	\$1,054,423	\$448,480	\$23,527	\$472,007	\$1,526,430

Agency Description

As authorized by Section 22-2-101, MCA, the Montana Arts Council exists to encourage the study and presentation of the arts in Montana and to stimulate public interest and participation. It cooperates with public and private institutions engaged in artistic and cultural activities in all disciplines; recommends appropriate methods to encourage participation in and appreciation of the arts, which meet the needs and aspirations of persons in all parts of the state; fosters interest in the state's cultural heritage and expands the state's cultural resources; and encourages and assists freedom of artistic expression essential for the well-being of the arts through on-going programs and council initiated projects. Under Section 22-2-301, MCA, the council administers the Cultural & Aesthetic Projects biennial grants program, in which applications are reviewed by a citizens' advisory panel and final allocations are made by the legislature.

MONTANA ARTS COUNCIL

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Service Reductions	01	(\$7,860)		(\$7,860)	(\$6,498)		(\$6,498)
Totals		(\$7,860)	\$0	(\$7,860)	(\$6,498)	\$0	(\$6,498)

1) Service Reductions - The Executive Budget proposal reduces general fund appropriations for the Arts Council by \$7,860 in fiscal 1992 and \$6,498 in fiscal 1993 as follows: 1) contracted services reductions of \$3,480 in fiscal 1992 and \$6,498 in fiscal 1993; 2) a \$2,000 reduction in the Artists in the Schools program in fiscal 1992 only; and 3) a \$2,380 reduction in grants to local communities in fiscal 1992 only. The reductions are 5.5 percent of the general fund appropriated to the Arts Council by the 1991 legislature for fiscal 1992 and 5.1 percent of the general fund appropriated for fiscal 1993.

LIBRARY COMMISSION

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	29.50		29.50	29.50		29.50	
Personal Services	756,552	53,300	809,852	755,742	85,710	841,452	1,651,304
Operating Expenses	527,993	0	527,993	491,262	0	491,262	1,019,255
Equipment	149,434	0	149,434	152,506	0	152,506	301,940
Grants	1,890,012	0	1,890,012	367,148	0	367,148	2,257,160
Transfers	650,000	0	650,000	0	0	0	650,000
Total Costs	\$3,973,991	\$53,300	\$4,027,291	\$1,766,658	\$85,710	\$1,852,368	\$5,879,659
Fund Sources							
General Fund	1,254,844	44,822	1,299,666	993,036	71,992	1,065,028	2,364,694
State Revenue Fund	403,873	8,349	412,222	390,345	13,589	403,934	816,156
Federal Revenue Fund	2,315,274	129	2,315,403	383,277	129	383,406	2,698,809
Total Funds	\$3,973,991	\$53,300	\$4,027,291	\$1,766,658	\$85,710	\$1,852,368	\$5,879,659

Agency Description

As authorized in Title 22, Chapter 1, MCA, the Montana State Library is responsible for providing assistance and advice to all tax-supported libraries and to citizens and local governments that may wish to establish and improve libraries. It administers certain state and federal funding to libraries throughout Montana. It administers the State Library, which: 1) provides information service to state government; 2) provides referral and back-up service to all libraries in the state; 3) provides direct library service to all blind and physically handicapped Montana residents; 4) is responsible for distribution centers of state documents; 5) is responsible for the Natural Resource Information System and the Natural Heritage Program under Section 90-15-101, MCA; and 6) aids in the development of library services statewide. It also oversees the six federations of libraries and does policy development, long-range planning, and coordination of library service throughout the state.

LIBRARY COMMISSION

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) State Library Operations	01	(\$60,643)		(\$60,643)	(\$62,562)		(\$62,562)
2) State Aid to Libraries	01	(63,957)		(63,957)			
Totals		(\$124,600)	\$0	(\$124,600)	(\$62,562)	\$0	(\$62,562)

1) State Library Operations Reductions - The Executive Budget proposal reduces State Library operations general fund by \$60,643 in fiscal 1992 and \$62,562 in fiscal 1993. These reductions are: 1) fiscal 1992 - \$7,292 in personal services, \$34,261 in operating expenses, and \$19,090 in equipment, and 2) fiscal 1993 - \$12,405 in personal services, \$30,857 in operating expenses, and \$19,300 in equipment. The reductions total 7.7 percent of the general fund appropriated for operations in fiscal 1992 and 8.0 percent of the fiscal 1993 appropriations.

2) State Aid to Libraries - The Executive Budget proposal reduces the \$258,621 budget modification for local library assistance, (discussed in #3 below), by 24.7 percent. However, this reduction represents 8.0 percent of the total general fund grants appropriated for the biennium, and it leaves general fund grants 30.4 percent above the 1991 biennium level.

General Fund Budget Modifications

Modification Description	Pgm	Fiscal 1992			Fiscal 1993		
		FTE	Approp.	Expended Thru Nov.	Percent Expended	FTE	Approp.
1) Blind & Physically Handicapped Library	01	1.00	\$22,319	\$564	2.53%	1.00	\$19,097
2) Library of Congress Dues	01		1,500	1,500	100.00%		3,000
3) State Aid to Libraries	01		258,621	13,488	5.22%		
Totals		1.00	\$282,440	\$15,552	5.51%	1.00	\$22,097

LIBRARY COMMISSION

- 1) Blind & Physically Handicapped Library - This modification adds 1.0 FTE and general fund of \$22,319 for fiscal 1992 and \$19,097 in fiscal 1993 for the blind and physically handicapped library. This library has experienced a 93 percent increase in the number of books loaned and a 36 percent increase in the number of users over the last 10 years. While expenditures as of November 30, 1991 totalled \$564, the position was filled on December 18, 1991.
- 2) Library of Congress Dues - This modification adds \$1,500 in fiscal 1992 and \$3,000 in fiscal 1993 to pay the dues required for the State Library to have access to the Library of Congress computer data system. The State Library will evaluate the value of participating in this system during the biennium and will report to the 1993 legislature. The fiscal 1992 funds had been totally expended as of November 30, 1991.
- 3) State Aid to Libraries (biennial appropriation) - This modification increases the amount of general fund assistance to the local libraries by \$258,621. Of this amount, \$25,162 will be used for library administration and the remaining \$233,459 will be awarded to local libraries as grants distributed on a per capita/per square mile basis. Expenditures as of November 30, 1991 were administrative expenses totalling \$13,488. Distribution to the local libraries is dependent upon rule changes which had not been adopted by November 30, 1991.

HISTORICAL SOCIETY

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	47.88		47.88	47.88		47.88	
Personal Services	1,262,057	88,049	1,350,106	1,260,963	141,353	1,402,316	2,752,422
Operating Expenses	818,249	0	818,249	788,171	0	788,171	1,606,420
Equipment	61,524	0	61,524	20,757	0	20,757	82,281
Grants	350,000	0	350,000	350,000	0	350,000	700,000
Transfers	48,069	0	48,069	48,439	0	48,439	96,508
Total Costs	\$2,539,899	\$88,049	\$2,627,948	\$2,468,330	\$141,353	\$2,609,683	\$5,237,631
<u>Fund Sources</u>							
General Fund	1,272,078	59,947	1,332,025	1,227,647	96,154	1,323,801	2,655,826
State Revenue Fund	136,106	3,936	140,042	135,716	6,319	142,035	282,077
Federal Revenue Fund	627,563	12,749	640,312	599,100	20,616	619,716	1,260,028
Proprietary Fund	504,152	11,417	515,569	505,867	18,264	524,131	1,039,700
Total Funds	\$2,539,899	\$88,049	\$2,627,948	\$2,468,330	\$141,353	\$2,609,683	\$5,237,631

Agency Description

The Montana Historical Society exists for the: 1) use, learning, culture, and enjoyment of the citizens of the state; and 2) collection, preservation and interpretation of Montana's material culture including artifacts, art, documents and records. The society maintains a library, an art gallery, a museum, and historical exhibits; publishes the state historical magazine, a newsletter and other historical works; and provides educational information for travelers and the general public. The agency also administers the National Historic Preservation Act and the State Antiquities Act. The Historical Society was established in 1865 and is authorized in Section 22-3-101, MCA.

HISTORICAL SOCIETY

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Reduce Capitol Tours & Travel	01	(\$3,724)		(3,724)	(\$3,022)		(\$3,022)
2) Vacancy Savings/Travel	02	(2,014)		(2,014)	(2,325)		(2,325)
3) Eliminate Tour Guide/Travel	03	(16,790)		(16,790)	(22,739)		(22,739)
4) Electronic Security	03	(25,000)		(25,000)			
5) Historic Sites Funding Switch	06	(6,518)	6,518	0	(8,494)	8,494	0
6) State Special/Proprietary Switch		0	0	0	0	0	0
Totals		(\$54,046)	\$6,518	(\$47,528)	(\$36,580)	\$8,494	(\$28,086)

1) Reduce Capitol Tours & Travel - The Executive Budget proposal reduces the budget modification appropriations for capitol tours and travel (see #1 and #2 in the budget modification section below) in the administration program by \$3,724 in fiscal 1992 and \$3,022 in fiscal 1993. These reductions represent 11.1 percent of the fiscal 1992 appropriation for the two budget modifications and 9.0 percent in fiscal 1993.

2) Vacancy Savings/Travel - The Executive Budget proposal increases vacancy savings and reduces travel by \$2,014 in fiscal 1992 and \$2,325 in fiscal 1993.

3) Eliminate Tour Guide/Travel - The Executive Budget proposal eliminates a tour guide for the Original Governor's Mansion tours and cancels rotating and new travel exhibits, resulting in general fund reductions of \$16,790 in fiscal 1992 and \$22,739 in fiscal 1993.

4) Electronic Security - The Executive Budget proposal reduces a \$30,000 budget modification for museum security equipment (see #3 below) by \$25,000. As of November 30, 1991, \$4,775 had been spent.

5) Funding Switch - The Executive Budget proposal replaces general fund of \$6,518 with a like amount of federal Administration Jobs Bill funds in the Historic Sites Preservation program in fiscal 1992. A similar funding switch of \$8,494 is included in the Executive Budget proposal for fiscal 1993.

HISTORICAL SOCIETY

6) State Special/Proprietary Funding Switch - The Executive Budget proposal reclassifies funds earned from the sale of photographic/photo copies from state special funds to proprietary funds in the Library and Museum programs. This shift is: 1) \$27,588 in fiscal 1992 and \$28,316 in fiscal 1993 in the Library program; and 2) \$4,121 each year of the biennium in the Museum program. While this funding switch does not affect general fund, action must be taken to amend the House Bill 2 funding.

General Fund Budget Modifications

Modification Description	Pgm	FTE	Fiscal 1992 Approp.	Expended Thru Nov.	Percent Expended	FTE	Fiscal 1993 Approp.
1) Board Member Travel	01		\$7,654	\$2,309	30.17%		\$7,654
2) Capitol Tour Guides	01	1.50	25,829	Implemented	NA	1.50	25,838
3) Museum Security	03		30,000	4,775	15.92%		
Totals		1.50	\$63,483	\$7,084	11.16%	1.50	\$33,492

1) Board Member Travel & Honoraria - The Montana Historical Society is overseen by a 15-member citizen board, which meets at least four times each year and more frequently if called. The legislature approved a general fund budget modification of \$7,654 each year of the 1993 biennium to provide funding for: 1) board travel expenses, including meals, mileage, and lodging; and 2) honoraria of \$50 per meeting day per member. As of November 30, 1991, \$2,309 had been spent.

In the 1991 biennium, the society did not have an appropriation for this purpose. Several members of the board submitted travel expense claims for each meeting. Payments (which totaled \$1,668 in fiscal 1990) were made from the director's travel budget. No honoraria payments were made prior to fiscal 1991, and no claims for travel reimbursement were made in either fiscal 1988 or fiscal 1989.

2) Capitol Tour Guides - During the 1991 biennium, the legislature funded 1.5 FTE for the capitol tour guides from the accommodations tax revenue which is statutorily appropriated to the Historical Society. Because use of these funds for this purpose was questioned by the Legislative Auditor, the legislature appropriated general fund for this function for the 1993 biennium. While this modification changes the funding for 1.5 FTE, it does not result in an increased FTE.

3) Museum Security - The budget includes \$30,000 general fund in fiscal 1992 to purchase and install 16 video cameras and five hand-held radios with base station and charger to increase security in the museum. Two of the cameras would be placed in the Charles M. Russell collection, one in the gallery, and the remainder in the Montana Homeland exhibit. The radios would be used while security personnel are patrolling the facility. As of November 30, 1991, \$4,775 had been spent.

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Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	2,051.82		2,051.82	2,017.29		2,017.29	
Personal Services	54,441,102	3,720,241	58,161,343	53,738,400	5,832,271	59,570,671	117,732,014
Operating Expenses	20,258,945	0	20,258,945	18,558,655	0	18,558,655	38,817,600
Equipment	789,920	0	789,920	607,506	0	607,506	1,397,426
Capital Outlay	16,500	0	16,500	16,500	0	16,500	33,000
Grants	8,286,107	0	8,286,107	7,947,399	0	7,947,399	16,233,506
Debt Service	150,767	0	150,767	144,225	0	144,225	294,992
Total Costs	\$83,943,341	\$3,720,241	\$87,663,582	\$81,012,685	\$5,832,271	\$86,844,956	\$174,508,538
Fund Sources							
General Fund	71,060,011	3,547,932	74,607,943	68,768,739	5,559,527	74,328,266	148,936,209
State Revenue Fund	4,817,677	125,078	4,942,755	4,814,724	198,695	5,013,419	9,956,174
Federal Revenue Fund	4,981,583	7,196	4,988,779	4,348,368	9,928	4,358,296	9,347,075
Proprietary Fund	3,084,070	40,035	3,124,105	3,080,854	64,121	3,144,975	6,269,080
Total Funds	\$83,943,341	\$3,720,241	\$87,663,582	\$81,012,685	\$5,832,271	\$86,844,956	\$174,508,538

Agency Description

The Department of Corrections and Human Services (DCHS, formerly the Department of Institutions), authorized in Section 2-15-2301, MCA, is directed in Section 53-1-201, MCA, to "utilize at maximum efficiency the resources of state government in a coordinated effort to: 1) restore the physically or mentally disabled; 2) rehabilitate the violators of laws; 3) sustain the vigor and dignity of the aged; 4) train children of limited mental capacity to their best potential; 5) rededicate the resources of the state to the productive independence of its now dependent citizens; and 6) coordinate and apply the principles of modern institutional administration to the institutions of the state." The department staff seek to provide care and treatment services that will guarantee the rights of residents, comply with state and federal standards, and when possible, return residents of the institutions to a normal life in the community.

The department's six divisions are: 1) Central Operations, including the administratively attached Board of Pardons; 2) Corrections, which includes the Montana State Prison (MSP), Swan River Forest Camp (SRFC), the Women's Correctional Center (WCC), and community programs; 3) Mental Health, which includes Montana State Hospital (MSH), Center for the Aged (CFA), and community programs; 4) Chemical Dependency; 5) Developmental Disabilities, which includes the Montana

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Developmental Center (MDC) and Eastmont Human Services Center; and 6) Veterans' Nursing Home program, which includes the Montana Veterans' Home (MVH).

Executive Budget Proposal

Description	Pgm	Fiscal 1992		Fiscal 1993	
		General Fund	Other Funds	General Fund	Other Funds
House Bill 2					
1) General Savings	10	(\$42,680)		(\$16,240)	(\$16,240)
2) Community Services	20	(670,067)			
3) Local Jurisdiction Sentencing	20	(17,312)			
4) Worker's Comp. Rate Adj.	20	(190,208)		(190,208)	(190,208)
5) License Plate Factory	20	(280,000)		(235,000)	(235,000)
6) Population Increase	20	425,418			
7) Personal Services Shortfall	20	395,520			
8) Corrections Medical	20	622,885			
9) Technical Advisor/MSP	20	65,000			
10) Galen Program Changes	30	(200,000)		(800,000)	(800,000)
11) Mont. State Hospital Canteen	30		16,920		16,920
12) Inflation Adjustment	40		23,229		24,158
13) Program Staffing Levels	50	404,511		406,996	406,996
14) Service Contracts - EHSC	50	19,767		19,767	19,767
15) Funding Switch*	60	(165,598)	165,598	(208,432)	208,432
Other					
16) Prison Industries Revolving** 20					
17) Institutional Reimbursements***		(999,162)		(605,212)	(605,212)
18) Fiscal 1990 Cost Settlement		(1,050,012)		(792,870)	(792,870)
19) Court Ordered Evaluations 30				(513,454)	(513,454)
Totals		(\$1,681,938)	\$205,747	(\$2,934,653)	\$249,510
* Includes private, medicaid, and medicare reimbursements to the Veteran's Home of \$75,233 in fiscal 1992 and \$114,452 in fiscal 1993.					
** Section 53-1-301, MCA describes all prison production or manufacturing as "prison industries."					
*** Excludes private, medicaid, and medicare reimbursements to the Veteran's Home of \$75,233 in fiscal 1992 and \$114,452 in fiscal 1993.					

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Language

(A) The Executive Budget proposal recommends that the department be granted an exemption from personal services transfer restrictions in House Bill 2 to allow more flexibility in management. House Bill 2 language states:

- (1) Funds appropriated for personal services or indicated in legislative intent as having been appropriated for personal services may not be expended under any other category unless the approving authority approves a specific agency request for the 1993 biennium only, which request is justified either on the basis of documented cost savings or as specified in subsection (2).
- (2) If an agency is unable to recruit and hire professional positions funded in the appropriation, funds appropriated for personal services may be used to fund an agreement or contract to provide services that are identical to those services performed by an authorized position. The amount used for the agreement or contract may not be more than the amount authorized for the position less any personal services reduction.

Three factors may be considered when addressing this language request. First, on an agency-wide basis, \$25 million had been spent for personal services as of November 30, 1991. This expenditure represents 43 percent of the total allocated to personal services, compared to an elapsed time of 42 percent. If expenditures continue at this rate through the remainder of the biennium, there will be no excess personal services funding available to transfer to other expenditure categories.

Second, if personal services funding is inadequate in one program but more than adequate in another, House Bill 2 permits the transfer of personal services from one program to another as long as the transfer does not exceed 5% of the total agency appropriation.

Third, if the legislature approves the requested program changes at Montana State Hospital, it may be desirable to allow the funding to follow the patients. For example, language similar to that requested would allow transfer of personal services to community services grants.

(B) The Executive Budget proposes language which would allow the department to transfer any fiscal 1992 unexpended balance in the Mental Health general fund appropriation from fiscal 1992 to fiscal 1993 to allow flexibility in complying with legal and program mandates. The unexpended balance would otherwise revert to the general fund.

1) General Savings - The Executive Budget proposal reduces appropriations for the Central Operations Division, primarily in personal services, by \$42,680 in fiscal 1992 and \$16,240 in fiscal 1993. These reductions represent 2.2 percent of the fiscal 1992 general fund appropriation and 0.9 percent of the fiscal 1993 general fund appropriation.

2) Community Services - The Executive Budget proposal delays the implementation of the budget modifications shown in the table below. The proposed reduction is \$670,067 in fiscal 1992, but all modifications would be implemented in fiscal 1993. The reference numbers on each line refer to the appropriate budget modification in the budget modification section.

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PROPOSED AMENDMENTS TO THE CORRECTIONS BUDGET MODIFICATIONS Fiscal 1992 and 1993

Modification Type	Approp. FY 92	Exec. FY 92	Proposed Reduction	Approp. FY 93	Exec. FY 93	Proposed Reduction
Pre-Release Expansion (10)	\$336,395	\$72,240	(\$264,155)	\$358,145	\$358,145	\$0
House Arrest (11)	45,000	0	(45,000)	45,000	45,000	0
Intensive Supervision (12)	127,739	105,597	(22,142)	70,600	70,600	0
Graduated Sanctions (14)	66,120	0	(66,120)	66,120	66,120	0
Women's Pre-release (17)	278,119	40,740	(237,379)	237,043	237,043	0
Probation/Parole (13)	131,201	95,930	(35,271)	134,526	134,526	0
Total	\$984,574	\$314,507	(\$670,067)	\$911,434	\$911,434	\$0

- 3) Local Jurisdiction Sentencing Option - The Executive Budget proposal eliminates the general fund match of \$17,312 for this program for fiscal 1992 only (see #9 in the general fund budget modification section below).
- 4) Worker's Compensation Rate Adjustment - The Executive Budget proposal reduces annual personal services by \$190,208 as follows: 1) \$18,574 in Corrections; 2) \$3,452 in Chemical Dependency; 3) \$160,858 in Developmental Disabilities; and 4) \$7,324 in Veteran's Home programs to reflect a reduction in worker's compensation rates. This adjustment was developed prior to the State Fund's recent rate increase, which averages 15 percent.
- 5) License Plate Factory - The Executive Budget proposal reduces funding for the License Plate Factory by \$280,000 in fiscal 1992 and \$235,000 in fiscal 1993, primarily because of lower aluminum prices.
- 6) Population Increase - The Executive Budget proposal increases funding for the Corrections program by \$425,418 in fiscal 1992. The components of this increase are: 1) variable costs for the reception overflow and an additional 50 inmates at the prison, \$156,076; 2) Gallehon Turner trial, \$75,000; 3) occupational therapy training costs, \$84,556; 4) legal costs for the maximum security disturbance, \$25,000; 5) additional food costs during the disturbances, \$78,782; and 6) additional public defender costs of \$6,004. A portion of the costs related to the prison disturbance may be covered by insurance.
- 7) Personal Services Shortfall - The Executive Budget proposal increases personal services funding by \$395,520. This amount is requested primarily because the department is not realizing budgeted vacancy savings.

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8) Corrections Medical - The Executive Budget proposal increases the Corrections Medical biennial appropriation by \$622,895 from \$1.9 million to \$2.5 million. While SBAS shows that only \$157,707 had been spent as of September 30, 1991, that amount is 25 percent greater than the medical expenditure on September 30, 1990. Excluding costs for the September prison disturbance, prorating this first quarter expenditure difference for the biennium results in an estimated total biennial expenditure of \$2.6 million. The department's estimate is \$2.7 million for the biennium. If these estimates are correct, an additional supplemental appropriation may be necessary in fiscal 1993.

9) Technical Advisor/NSP - The Executive Budget proposal includes a biennial appropriation of \$65,000 for an on-site professional to aide in the technical operation of the prison.

10) Galen Program Changes - The Executive Budget proposes reducing the appropriation for the Mental Health Division budget by \$200,000 in fiscal 1992 and \$800,000 in fiscal 1993. The following major service changes are proposed: 1) move the acute care hospital from Galen to Warm Springs and change its license to infirmary level; 2) reduce the capacity of the nursing home program to 35 patients; 3) establish an 87 bed chemical dependency treatment program in the Galen hospital building; and 4) establish a 24 bed non-hospital detoxification and orientation program in the Galen Hospital building. The changes would eliminate 51.3 FTE and would result in the following changes on the individual campuses: 1) increase the Warm Springs staff by 28 FTE; 2) increase the Galen chemical dependency staff by 3.45 FTE; and 3) decrease the Galen mental health staff by 82.75 FTE. Note: The Executive Budget proposal includes language that would allow any additional savings (unexpended balance) to be transferred from fiscal 1992 to fiscal 1993.

House Bill 2 language states that "the department shall continue to provide acute hospital care, intermediate nursing care, and chemical dependency services at the Montana State Hospital at Warm Springs and Galen without significant changes in the program at either campus." The legislature may wish to amend this language if it approves the Executive Budget proposal to change the mental health and chemical dependency services offered at Galen.

According to department staff, even if Galen programs are not moved to Warm Springs, the additional positions at Warm Springs are necessary to meet the staffing requirements ordered by the district court in the Ihler lawsuit decision.

11) Montana State Hospital Canteen - The Executive Budget proposal increases the state special revenue fund for the Montana State Hospital Canteen by \$16,920 each year to compensate for product price increases. While this proposal does not impact general fund, legislative action would be necessary in House Bill 2.

12) Inflation Adjustment - The Executive Budget proposal increases the state special alcohol tax appropriation for the Galen chemical dependency program by \$23,229 in fiscal 1992 and \$24,158 in fiscal 1993. These increases are in addition to the inflation adjustments included in House Bill 2. Appropriation of these funds to Galen will reduce the earmarked alcohol tax fund balance, thereby decreasing the statutory appropriation to county chemical dependency programs. While this proposal does not impact general fund, legislative action is required.

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13) Program Staffing Levels - The Executive Budget proposal requests an additional \$404,511 in fiscal 1992 and \$406,996 in fiscal 1993 to increase staffing levels at Montana Developmental Center (MDC) and Eastmont Human Services Center (EHSC). These funds are for additional staff totalling 21.9 FTE in fiscal 1992 and 26.5 FTE in fiscal 1993 at MDC and 1.0 FTE qualified mental retardation professional (QMP) at EHSC to maintain certification at the two facilities. Because most of these FTE will remain in the base, the "downsizing" cost savings anticipated by the 1991 legislature will be reduced.

The 1991 legislature approved FTE reductions at MDC to implement the "downsizing" to approximately 100-110 residents by the end of fiscal 1992. Through November, 1991, the fiscal 1992 average daily population (ADP) was 128, but completion of the "downsizing" is anticipated by March, 1992.

Funding for the additional QMP at Eastmont was included by the subcommittee during the 1991 session but was eliminated in final legislative action. Eastmont filled the position, funded by vacancy savings, to maintain certification.

14) Service Contracts - EHSC - The Executive Budget proposal requests \$19,767 for each year to pay for unanticipated increases in service contracts. The major increases are contract increases for occupational therapists (\$4,108), physical therapists (\$1,986), and laundry services (\$11,900).

15) Funding Switch - Funding switches of \$165,598 in fiscal 1992 and \$208,432 in fiscal 1993 at the Montana Veteran's Home come from increased private insurance, medicaid, medicare, and Veteran's Administration reimbursements. The Executive Budget proposal includes only the increases in Veteran's Administration reimbursements and shows other reimbursements as deposits to the general fund. However, section 53-1-413(2), MCA, requires that all funds generated for patient care go directly to the Veteran's Home and be spent before general fund. Therefore, unless statute is amended, additional reimbursements must be used to offset general fund at the Veteran's Home.

16) Prison Industries Revolving Account Transfer - The Executive Budget proposes a transfer of \$605,212 from the industries program at the prison to the general fund in fiscal 1993. Section 53-1-302, MCA refers to all production programs at the prison as "Industries." The two accounts for those industries are: 1) the prison ranch account, which had a cash balance of \$1,083,338 at the end of fiscal 1991; and 2) the industries revolving account, which had a fiscal 1991 year end cash balance of \$392,974. While the Executive Budget proposal does not identify the accounts from which the transfer would be made, earlier documentation indicated that the transfer would be made from the prison ranch account.

The executive estimates that cash balances will be sufficient at the end of the biennium to allow the transfer, but transfers from either account to the general fund require legislative action.

17) Institutional Reimbursements - The Executive Budget proposal includes additional estimated general fund revenue from insurance, medicaid, and medicare reimbursements for services in the institutions. These reimbursements total \$999,162 in fiscal 1992 and \$792,870 in fiscal 1993, after adjustment for the funding switch revenues for the Veteran's Home.

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18) Fiscal 1990 Cost Settlements - The Executive Budget proposal includes additional general fund revenue of \$1,050,012 in fiscal 1992. This revenue results from an adjustment of prior years medicaid underpayments for provider costs at EHSC, MDC, and Montana State Hospital.

19) Court-Ordered Evaluations - The Executive Budget proposes charging counties in fiscal 1993 for court-ordered psychiatric evaluations conducted at MSH, pursuant to section 46-14-202, MCA. These charges will increase general fund revenue an estimated \$513,454 in fiscal 1993. Since these charges will impact the counties, the charge is proposed for fiscal 1993 to allow time to include the increase in county budgets.

General Fund Budget Modifications

Modification Description	Pgm	Fiscal 1992		Fiscal 1993		Percent Expended	FTE	Approp.	Expended	FTE	Approp.
		Thru Nov.	Expended	Thru Nov.	Expended						
1) Special Services	10		\$0			0.00%		\$32,500			\$32,500
2) Board of Pardons Staff	10		Implemented			NA		30,995		1.00	26,910
3) Information System Enhancement	10		93,926			71.88%		130,665			128,024
4) Staffing for Additional Capacity	20		Implemented			NA		560,823		31.20	759,892
5) Jail-Parole Violators	20		0			0.00%		66,120			66,120
6) Operating Cost Increases	20		Implemented			NA		80,663			80,663
7) Female Correction Population Increase	20		Implemented			NA		77,058		2.00	99,214
8) WCC Additional Staff	20		Implemented			NA		43,306		2.00	43,034
9) Local Jurisdiction Sentencing Options	20		0			0.00%		17,312		1.00	17,301
10) Pre-Release Expansion	20		Implemented			NA		336,395			358,145
11) House Arrest	20		0			0.00%		45,000			45,000
12) Great Falls ISP Program	20		Implemented			NA		127,739		2.50	70,600
13) Probation/Parole Officers	20		Implemented			NA		131,201		4.00	134,526
14) Jail-Graduated Sanctions	20		0			0.00%		66,120			66,120
15) Targeted Case Managers	20		Implemented			NA		54,244		2.00	54,128
16) BISC Operating Increase	20		3,110			NA		3,110			3,110
17) New Women's Pre-Release Center	20		0			0.00%		278,119			237,043
18) Community Corrections Rate Increase	20		Implemented			NA		127,132			54,807
19) Peace Officer Training	20		0			0.00%		12,200			5,200
20) Service Provider Increases	30		Implemented			NA		106,381			214,889
21) CFA Additional Staff	30		Implemented			NA		36,100			36,100
22) House Bill 93-Utilization Fee	30		11,924			24.34%		48,582			97,964
23) ICF/MR Certification at MDC	50		Implemented			NA		89,278		2.00	45,633
24) ICF/MR Certification at Eastmont	50		Implemented			NA		136,720		6.00	137,102
25) House Bill 93-Utilization Fee	60		0			0.00%		30,200			60,400
Totals			\$105,850			4.12%		\$2,568,363		53.70	\$2,874,425

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- 1) Special Services - General fund of \$32,500 each year is for contract services for a medical consultant. No contract had been signed as of November 30, 1991.
- 2) Board of Pardons Staff - General fund of \$30,995 in fiscal 1992 and \$26,910 in fiscal 1993 is for 1.0 FTE pre-parole programmer, operating expense, and first-year equipment expense to help facilitate parole release for increasing caseloads. The position was filled on November 18, 1991.
- 3) Information System Enhancement - General fund of \$130,665 in fiscal 1992 and \$128,024 in fiscal 1993 is for computer enhancements including: 1) \$112,465 each year for the lease-purchase of a replacement for the department's IBM System 38 mainframe computer; 2) \$18,200 in fiscal 1992 for multi-user computers; and 3) \$15,559 in fiscal 1993 for repair and maintenance. These computer enhancements will allow data management based on human services systems, rather than on units within the systems. The department has installed the new equipment.
- 4) Staffing for Additional Capacity - The legislature approved additional staff and variable costs for the increasing population at the men's prison as follows: 1) 21.6 FTE and general fund of \$560,823 for an additional 45 ADP in fiscal 1992; and 2) 31.2 FTE and general fund of \$759,892 for another 40 ADP in fiscal 1993. This budget modification will allow an increase in maximum capacity from 1,135 in fiscal 1991 to 1,180 beds by the end of fiscal 1992 and 1,220 beds by the end of fiscal 1993. Fiscal 1992 average daily population for the first 4 months was 1,168, while the October population was 1,147 ADP. As of November 30, 1991, the department had filled 19.8 of the 21.6 positions.
- 5) Jail-Parole Violators - The legislature approved general fund of \$66,120 each year to pay for local jail placement of parole and pre-release violators who have been arrested and are awaiting a due process hearing. Section 7-32-2242, MCA, requires the government unit responsible for committing an individual to a local detention center to pay the cost for holding the individual. These funds would provide \$38.00 per day for 1,740 days each year in local facilities. The department is holding the bills until the contracts are signed.
- 6) Operating Cost Increases - The legislature approved \$80,663 in general fund each year for additional operating expenses for the care and custody of an additional 48.25 ADP at the men's prison. The request reflects variable costs of \$4.58 per day for each of the additional ADP and would allow care of prisoners up to the fiscal 1991 maximum capacity of 1,135 ADP. This budget modification has been implemented.
- 7) Female Correction Population Increase - The number of women in the Women's Correctional Center increased from 50 ADP budgeted by the 1989 legislature to 53 ADP in fiscal 1990. The average daily population for the first four months of fiscal 1992 was 61 ADP. The department expects the population to be 60 ADP in the 1993 biennium. To provide services for this increased population, the legislature approved 0.5 FTE nurse, 0.5 FTE chemical dependency counselor, and 1.0 FTE correctional treatment specialist. Personal services costs for the 2.0 additional FTE are approximately \$53,600 each year. Additional operating expenses of \$23,403 in fiscal 1992 and \$45,677 in fiscal 1993 are based on an average daily variable cost of \$5.12 per ADP. The total cost of this budget modification is general fund of \$77,058 in fiscal 1992 and \$99,214 in fiscal 1993. The positions were filled as of November 30, 1991.

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- 8) WOC Additional Staff - The legislature approved general fund of \$43,306 in fiscal 1992 and \$43,034 in fiscal 1993 for operating expenses and 2.0 additional FTE at the Women's Correctional Center. These correctional officers were approved to improve facility safety and security. The positions were filled as of November 30, 1991.
- 9) Local Jurisdiction Sentencing Options - The legislature approved 1.0 FTE, operating costs, and general fund of \$17,312 in fiscal 1992 and \$17,301 in fiscal 1993 for the creation of a community service program in Missoula. This program would provide a sentencing alternative for selected, non-violent offenders. The legislature expects that general fund and an equivalent amount of state special funds from the community will be expended only to the extent that they are matched by federal funds. A Board of Crime Control grant of approximately \$41,669 was requested by budget amendment and approved for fiscal 1992. Although general fund has not been spent, the position is filled.
- 10) Pre-Release Expansion - The legislature approved general fund of \$336,395 in fiscal 1992 and \$358,145 in fiscal 1993 to expand the pre-release capacity. The department estimates the budget is sufficient to increase the 120 male pre-release beds budgeted in fiscal 1990 to 145 beds in fiscal 1993. This modification, recommended by the Criminal Justice and Corrections Advisory Council (CJCAC), is considered necessary to serve increasing inmate populations. The October, 1991 male pre-release population was 133 ADP. A portion of the funds have been committed through existing pre-release contracts as of November 30, 1991.
- 11) House Arrest - The legislature approved general fund of \$45,000 each year for contracts with non-profit organizations to supervise inmates in house arrest. House arrest would be available to inmates who have successfully completed all pre-release center program goals prior to their parole eligibility or discharge dates. This program, recommended by CJCAC, would keep inmates under the supervision of the pre-release centers as they complete transition to community life, while freeing space for other pre-release candidates. No funds had been spent as of November 30, 1991.
- 12) Great Falls ISP Program - The legislature approved 2.5 FTE, \$127,739 in fiscal 1992 and \$70,600 in fiscal 1993 to establish an intensive supervision program in Great Falls. This general fund supported program would be used as an alternative for offenders sentenced to prison and would have a capacity of 25 offenders. Based on the success of similar programs in Billings and Missoula, CJCAC recommended a third program be established in Great Falls. As of November 30, 1991, the equipment had been purchased but the positions had not been filled.
- 13) Probation/Parole Officers - The legislature approved 3.0 FTE and \$131,201 in fiscal 1992, and 4.0 FTE and \$134,526 in fiscal 1993, to expand probation and parole services. This modified request would enhance supervision of those on probation or parole and increase the number of field officers to serve an increasing caseload. The positions had not been filled as of November 30, 1991.
- 14) Jail-Graduated Sanctions - The department adopted a policy providing graduated community-based sanctions as alternatives to incarceration for parole and pre-release violators. One of these sanctions is jail placement for 30 to 60 days. The legislature approved general fund of \$66,120 each year to provide 1,740 days in local jail facilities at \$38.00 per day. No funds had been spent as of November 30, 1991.

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- 15) Targeted Case Managers - The legislature approved general fund of \$54,244 in fiscal 1992 and \$54,128 in fiscal 1993 for 2.0 FTE and an operating budget to help prison inmates prepare institutional treatment and parole plans. The department anticipates that these targeted case managers will help 600 inmates on "waiver" or "annual review" status shorten their average length of stay and thereby reduce prison overcrowding. While the two positions are filled, no expenditures have been recorded for this appropriation.
- 16) ELSC Operating Increase - The legislature approved general fund of \$3,110 each year for increased variable costs at the Billings Life Skills Center. The center was budgeted for 9.6 ADP during the 1991 biennium, but the population has increased to 12 residents. This budget modification provides \$3.55 per day for the additional 2.4 ADP. The October, 1991 women's pre-release population was 12 ADP.
- 17) New Women's Pre-Release Center - The legislature approved general fund of \$278,119 in fiscal 1992 and \$237,043 in fiscal 1993 for an additional 16 bed women's pre-release center. Contracted room and board were estimated by prorating the ELSC budget and adding start-up costs of \$42,000 in fiscal 1992. The department anticipates that this center would help relieve overcrowding at WOC. While no funds were expended by the end of November, 1991, the Butte pre-release center has been awarded the contract for the new women's pre-release center.
- 18) Community Corrections Rate Increase - The legislature approved general fund of \$27,132 in fiscal 1992 and \$54,807 in fiscal 1993 for 2 percent annual rate increases for community pre-release centers. The rate increases for fiscal 1992 are included in the current annual pre-release center contracts.
- 19) Peace Officer Training - The legislature approved general fund of \$12,200 in fiscal 1992 and \$5,200 in fiscal 1993 to provide peace officer training for probation and parole officers. This appropriation was approved to implement Senate Bill 379, which requires probation and parole officers appointed by the Department of Corrections and Human Services to have peace officer status. No funds had been spent as of November 30, 1991.
- 20) Service Provider Increases - General fund of \$106,381 in fiscal 1992 and \$214,889 in fiscal 1993 is for 2.0 percent annual increases in the mental health provider rates. The fiscal 1992 increases are included in the current annual contracts.
- 21) CFA Additional Staff - The legislature approved \$36,100 of general fund each year to contract for a medical director, an occupational therapist, a speech pathologist, and a psychiatrist. These services are necessary to allow the facility to comply with federal Omnibus Budget Reconciliation Act (OBRA) standards and other requirements. Biennial contracts have been signed for these services.
- 22) House Bill 93 - Utilization Fee - The legislature appropriated general fund of: 1) \$32,370 in fiscal 1992 and \$64,740 in fiscal 1993 to the Center for the Aged; and 2) \$16,612 in fiscal 1992 and \$33,224 in fiscal 1993 to Montana State Hospital for the nursing facility utilization fee required in House Bill 93. As of November 30, 1991, \$7,692 had been spent at the Center for the Aged and \$4,232 had been spent at Montana State Hospital.

DEPARTMENT OF CORRECTIONS & HUMAN SERVICES

23) ICF/MR Certification at MDC - The legislature approved an additional 3.83 FTE and general fund of \$89,278 in fiscal 1992 and 2.0 FTE and general fund of \$45,633 in fiscal 1993 to maintain certification. In 1989, a Department of Health and Environmental Sciences (DHES) survey noted major deficiencies at MDC, especially in program management and client care. The department was required to improve services or risk decertification and the loss of medicaid reimbursements. To address the deficiencies, the department added 21.5 FTE. In April 1990, based on the improved services provided by the additional staff, DHES certified MDC as an intermediate care facility for the mentally retarded (ICF/MR). The facility failed a DHES survey in February, 1991 and passed a follow-up survey in March, 1991. This budget modification is the portion of the FTE added in fiscal 1990 that the department feels are necessary to maintain certification in a "downsized" facility in the 1993 biennium. The positions were filled as of November 30, 1991.

24) ICF/MR Certification at Eastmont - The legislature approved an additional 6.0 FTE at a general fund cost of \$136,720 in fiscal 1992 and \$137,102 in fiscal 1993 in order to maintain ICF/MR certification at Eastmont. In November 1989, a DHES survey noted major deficiencies at Eastmont, especially in staff training and active treatment for the patients. The department was required to improve services or risk decertification and the loss of \$1.3 million per year in medicaid reimbursements. To address the deficiencies, the department added 1.0 FTE training and developmental specialist, 1.0 FTE habilitation training specialist, 1.0 FTE rehabilitation aide, and 3.0 FTE resident care aides. Based on the improved services provided by the additional staff, in April 1990, DHES certified Eastmont as an intermediate care facility for the mentally retarded. The positions were filled as of November 30, 1991.

25) House Bill 93 - Utilization Fee - The legislature appropriated general fund of \$30,200 in fiscal 1992 and \$60,400 in fiscal 1993 to the Veteran's Home for the nursing facility utilization fee required in House Bill 93. No funds had been spent as of November 30, 1991.

Other General Fund Appropriations

Bill Number and Description	Pgm	Fiscal 1992			Fiscal 1993		
		FTE	Approp.	Expended Thru Nov.	Percent Expended	FTE	Approp.
1) HB 528 WOC Site Selection	20		\$8,000	\$7,998	99.98%		
Totals		0.00	\$8,000	\$7,998	99.98%	0.00	\$0

HB 528 - WOC Site Selection - This bill: 1) required that the Department of Corrections and Human Services develop a request for proposals for the siting of a women's correctional center according to certain criteria; 2) created a committee to evaluate the proposals; and 3) provided for the evaluation of the proposals and the site selection. An \$8,000 general fund appropriation was provided to fund the site selection committee through fiscal 1992. As of November 30, 1991, \$7,998 had been spent.



EDUCATION

BOARD OF PUBLIC EDUCATION

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	4.00		4.00	4.00		4.00	
Personal Services	124,737	7,361	132,098	124,718	11,755	136,473	268,571
Operating Expenses	66,042	0	66,042	60,310	0	60,310	126,352
Equipment	850	0	850	500	0	500	1,350
Total Costs	\$191,629	\$7,361	\$198,990	\$185,528	\$11,755	\$197,283	\$396,273
<u>Fund Sources</u>							
General Fund	118,702	3,316	122,018	114,001	5,281	119,282	241,300
State Revenue Fund	72,927	4,045	76,972	71,527	6,474	78,001	154,973
Total Funds	\$191,629	\$7,361	\$198,990	\$185,528	\$11,755	\$197,283	\$396,273

Agency Description

The Board of Public Education, created by Article X, Section 9 of the 1972 Montana Constitution, consists of seven voting members appointed by the Governor and confirmed by the Senate. The board is charged with exercising "general supervision over the public school system." The board is also designated by statute as the governing board of the Montana School for the Deaf and Blind. Together with the Board of Regents, the board does the general planning, coordinating, and evaluation of the state's educational system (Title 20, Chapter 2, MCA). The board accredits all schools, certifies all teachers, adopts policies and standards for various educational programs, and orders the distribution of state equalization aid. The board's accreditation standards are the basis for eligibility for local school districts to receive state funds. Also, the board hears cases regarding denial, suspension, and revocation of teacher certificates and reviews teacher education programs leading to interstate reciprocity. The board is assisted by an administrative staff that oversees board operations and provides technical assistance and liaison.

BOARD OF PUBLIC EDUCATION

Executive Budget Proposal

Description	Pgm	Fiscal 1992		Fiscal 1993		Total Funds
		General Fund	Other Funds	General Fund	Other Funds	
House Bill 2						
1) Contested Cases Hearings	01	(\$3,252)	\$0	\$0	\$0	\$0
2) Funding Switch	01	(\$6,509)	\$6,509	(\$9,543)	\$9,543	0
Totals		(\$9,761)	\$6,509	(\$9,543)	\$9,543	\$0

1) Contested Case Hearing - The 1991 legislature appropriated \$3,252 of general fund to the Board of Public Education in the 1993 biennium for additional hearings anticipated as a result of contested cases involving funding withheld from schools (see General Fund Budget Modification #1, below). The board has not held any hearings, nor do they anticipate additional hearings. The Executive Budget proposes to eliminate this appropriation.

2) Funding Switch - In the 1991 biennium, teachers seeking certification paid a \$5 fee. Of this total, \$3 was used to support the Certification Standards and Practices Advisory Council and \$2 was deposited to the general fund. The 1991 legislature raised the fee to \$6, and earmarked the entire amount for support of the council (\$3 for certification activities and \$3 for research and special projects). The Board of Public Education, which is 100 percent funded from the general fund, is responsible for supervision and administration of the council. The Executive Budget proposes to replace general fund with certification fees in the Board of Public Education for council-related administrative costs.

BOARD OF PUBLIC EDUCATION

General Fund Budget Modifications

Modification Description	Pgm	----- Fiscal 1992 -----	----- Fiscal 1993 -----
		FTE Approp. Expended Thru Nov. Percent Expended FTE Approp.	
1) Additional Hearings	01	0.00 \$3,252	0.00% \$0 0.00% \$0
Totals		0.00 \$3,252	0.00% \$0 0.00% \$0

1) Additional hearings - As a result of school funding legislation passed by the Fifty-First Legislature (20-7-504, MCA), school districts must comply with generally accepted accounting principles (GAAP) and meet accreditation standards in order to continue to receive state funding. The legislature provided a biennial general fund appropriation for additional board meetings to hear an anticipated increase in contested cases involving state funding withheld from districts. The board has held no hearings for contested funding cases and does not anticipate such hearings during the 1993 biennium.

SCHOOL FOR THE DEAF & BLIND

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	85.38		85.38	85.38		85.38	
Personal Services	2,419,963	140,418	2,560,381	2,416,120	223,361	2,639,481	5,199,862
Operating Expenses	493,046	0	493,046	480,971	0	480,971	974,017
Equipment	34,602	0	34,602	12,125	0	12,125	46,727
Debt Service	7,900	0	7,900	7,900	0	7,900	15,800
Total Costs	\$2,955,511	\$140,418	\$3,095,929	\$2,917,116	\$223,361	\$3,140,477	\$6,236,406
Fund Sources							
General Fund	2,620,029	140,418	2,760,447	2,581,669	223,361	2,805,030	5,565,477
State Revenue Fund	170,000	0	170,000	170,000	0	170,000	340,000
Federal Revenue Fund	165,482	0	165,482	165,447	0	165,447	330,929
Total Funds	\$2,955,511	\$140,418	\$3,095,929	\$2,917,116	\$223,361	\$3,140,477	\$6,236,406

Agency Description

The purpose of the Montana School for the Deaf and Blind is to provide an ordinary public school education for its students by use of specialized methods and to teach trades and vocations that will enable students attending the school to become independent and self-sustaining citizens. Authority for the school is contained in Title 20, Chapter 8, Part 1, MCA. A maximum of 80 children and adolescents reside on campus throughout the school year. To attend the school, students must be diagnosed as being deaf and/or blind or must have such a significant hearing or sight impairment that they are unable to receive a proper education in the public schools of the state. Additionally, the school provides for a minimum of 50 day students from the Great Falls area and serves over 250 students statewide through a resource consultant program.

SCHOOL FOR THE DEAF & BLIND

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) General Services	02	\$0	\$0	\$0	(\$10,000)	\$0	(\$10,000)
2) Student Services	03	(36,879)	0	(36,879)	(36,553)	0	(36,553)
3) Funding Switch	04	(20,000)	20,000	0	(20,000)	20,000	0
Totals		(\$56,879)	\$20,000	(\$36,879)	(\$56,553)	\$20,000	(\$46,553)

1) General Services - The General Services program is responsible for the maintenance of the school's eight buildings and 18.5 acre campus. The Executive Budget proposes to reduce operating expenses of this program for fiscal year 1993 by \$10,000. Actual operating expenses for fiscal year 1991 were \$155,583 and the amount budgeted in House Bill 2 for operations for fiscal 1993 is \$160,851. Thus, a \$10,000 reduction for fiscal year 1993 would result in a net reduction from fiscal year 1991 actual expenditures of 3 percent.

2) Student Services - The Student Services Program provides residential care for a maximum of 80 children living at the school. The Executive Budget proposes to reduce the general fund personal services appropriation by \$25,879 in fiscal 1992 and \$25,553 in fiscal 1993. House Bill 2 applied a 4 percent vacancy savings rate; this would increase the applied rate to approximately 7.2 percent for fiscal 1992 and 6.9 percent for fiscal 1993. In addition, the Executive Budget proposes to reduce operating expenses by \$11,000 each year of the biennium. This reduction would primarily impact the student travel budget, which was increased by \$15,784 each year of biennium.

3) Funding Switch - The MSDB receives income from the school trust fund for the operation of the education program. This income directly offsets general fund. The 1991 legislature appropriated \$170,000 of income to the school each year of the 1993 biennium. The Executive Budget estimates income to the school of \$190,000 each year, resulting in a \$20,000 reduction in the general fund appropriation. If this additional interest income is not realized, the school would be forced to reduce program expenditures or seek a supplemental. The school received \$186,868 of interest income in fiscal year 1991.

SCHOOL FOR THE DEAF & BLIND

General Fund Budget Modifications

Modification Description	Pgm	FTE	Fiscal 1992 Approp.	Expended Thru Nov.	Percent Expended	FTE	Fiscal 1993 Approp.
1) Supervisory Teacher	04	0.84	\$33,249	Implemented	NA	0.84	\$33,256
Totals		0.84	\$33,249	\$0	NA	0.84	\$33,256

1) Supervising Teacher - This modification added general fund for a 0.84 FTE supervising teacher to supervise staff and to begin to develop a school-wide curriculum. The "Conference of Educational Administrators Serving the Deaf" granted provisional accreditation to the Montana School for the Deaf and Blind in fiscal 1990. In granting provisional accreditation, the conference recommended that the school "...aggressively pursue funding to fill...supervising teacher [and]...curriculum specialist...". The Conference staff will reevaluate the school in three years to determine progress made on past recommendations. The position was filled at the beginning of the school year.

OFFICE OF PUBLIC INSTRUCTION

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	140.23		140.23	140.23		140.23	
Personal Services	4,409,828	263,290	4,673,118	4,400,628	423,327	4,823,955	9,497,073
Operating Expenses	3,934,137	0	3,934,137	3,521,358	0	3,521,358	7,455,495
Equipment	228,612	0	228,612	118,296	0	118,296	346,908
Local Assistance	48,223,179	0	48,223,179	44,408,209	0	44,408,209	92,631,388
Grants	9,592,400	0	9,592,400	406,800	0	406,800	9,999,200
Transfers	435,074	0	435,074	435,121	0	435,121	870,195
Total Costs	\$66,823,230	\$263,290	\$67,086,520	\$53,290,412	\$423,327	\$53,713,739	\$120,800,259
Fund Sources							
General Fund	48,048,246	116,917	48,165,163	44,018,168	195,391	44,213,559	92,378,722
State Revenue Fund	4,378,187	13,644	4,391,831	4,295,762	21,549	4,317,311	8,709,142
Federal Revenue Fund	13,439,982	96,498	13,536,480	4,089,022	155,608	4,244,630	17,781,110
Proprietary Fund	956,815	36,231	993,046	887,460	50,779	938,239	1,931,285
Total Funds	\$66,823,230	\$263,290	\$67,086,520	\$53,290,412	\$423,327	\$53,713,739	\$120,800,259

Agency Description

The Superintendent of Public Instruction is an elected official mandated by Section 1, Article VI, of the Montana Constitution. Section 20-3-106, MCA, states that the Superintendent "...has the general supervision of the public schools and districts of the state." Section 20-7-301, MCA, names the Superintendent as "the governing agent and executive officer" for vocational education in Montana. The office provides services to Montana's school-age children and to teachers in 556 school districts. The staff provides technical assistance in planning, implementing, and evaluating educational programs in such areas as teacher preparation, teacher certification, school accreditation, school curriculum, school finance, and school law. The staff administers a number of federally funded programs and provides a variety of information services.

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OFFICE OF PUBLIC INSTRUCTION

During the 1991 biennium the Superintendent of Public Instruction state administrative functions were composed of three programs for budgeting purposes: 1) State Superintendent's office; 2) Central Services; and 3) Education Services. For the 1993 biennium, the legislature combined these administrative programs into one program for appropriation purposes.

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Personal Services	06	(\$322,047)	\$0	(\$322,047)	(\$311,363)	\$0	(\$311,363)
2) Operating Expense Reduction	06	(20,000)	0	(20,000)	(20,000)	0	(20,000)
3) Equipment Reductions	06	(50,000)	0	(50,000)	(50,000)	0	(50,000)
4) Special Ed Contingency	09	(214,520)	0	(214,520)	0	0	0
5) Gifted & Talented	09	(24,000)	0	(24,000)	(24,000)	0	(24,000)
6) Secondary Vo-Ed	09	(270,000)	0	(270,000)	0	0	0
7) Impact Aid	09	(400)	0	(400)	(400)	0	(400)
Other Appropriation Bills							
8) HB 999	09	(214,520)	0	(214,520)	0	0	0
Totals		(\$1,115,487)	\$0	(\$1,115,487)	(\$405,763)	\$0	(\$405,763)

1) Personal Services - The Executive Budget proposes to increase the vacancy savings rate applied against the personal services budget of OPI from the 2.0 percent approved by the legislature in House Bill 2 to 8.6 percent in fiscal 1992

OFFICE OF PUBLIC INSTRUCTION

and 8.4 percent in fiscal 1993. However, while vacancy savings was applied against all funding sources in House Bill 2, The Executive Budget proposes that the additional vacancy savings be taken only from the general fund appropriation, which is approximately 45 percent of the Administration program operating budget. The Executive Budget notes that operating funds may be transferred to personal services if the full vacancy savings is not achieved. House Bill 2 allows funds appropriated for operating and equipment to be transferred into personal services.

2) Operating Expense Reduction - These are unspecified cuts, but would primarily affect travel, according to OPI staff. The reduction amounts to approximately 0.5 percent of the operating budget.

3) Equipment Reduction - The Executive Budget proposes a \$50,000 general fund reduction from equipment for each year of the biennium. According to OPI staff, these cuts would primarily delay the conversion of data systems from the Honeywell computer, which is being replaced with a local area network system.

4) Special Education Contingency - These funds (which total \$2,031,699 over the biennium) are awarded by OPI to school districts to meet unexpected needs in special education budgets. It was the intent of the 1991 legislature that any unused funds remaining in this appropriation be transferred into the general special education budget for distribution to schools. The combined appropriations for special education (special education plus the special education contingency) total \$67,723,293 in the 1993 biennium, unchanged from the level appropriated for the 1991 biennium. OPI has historically expended the entire special education appropriation. The Executive Budget proposes a \$214,520 reduction in the contingency appropriation, resulting in a 10.6 percent reduction over the biennium. If the proposed special education contingency appropriation is included with the general special education appropriation, the total general fund reduction for special education would be 0.3 percent.

5) Gifted & Talented - The Gifted & Talented program provides funds to local school districts to begin or to maintain education programs for gifted & talented students. The present general fund budget totals \$300,000 each year of the 1993 biennium, an increase of \$200,000 per year over the 1991 biennium budget. The Executive Budget proposes to reduce this appropriation by \$24,000 each year, a reduction of 8 percent.

6) Secondary Vocational Education - The 1991 legislature provided a biennial appropriation of \$1,800,000 for the 1993 biennium for secondary vocational education grants to local school districts. This is the same level as appropriated in the 1991 biennium. These grant funds are used to pay for the additional costs required of vocational education programs, such as specialized equipment needs and full year teaching contracts. The Executive Budget proposes to reduce the appropriation by \$270,000 or 15 percent for the biennium. OPI distributed \$765,000 of the biennial appropriation to districts in November (one-half the biennial total, minus 15 percent).

OFFICE OF PUBLIC INSTRUCTION

7) **Impact Aid** - Section 20-9-304, MCA, allows supplementary payments to school districts that provide education to children of employees of public institutions who live on state property and pay no property taxes. The legislature appropriated \$5,000 of general fund each year of the 1993 biennium. The Executive Budget proposes a \$400 reduction (8.0 percent) each year. In fiscal year 1990, the expenditures from this appropriation were \$3,908 and in fiscal year 1991 \$4,850.

8) **HB 999** - The 1991 legislature appropriated \$2,471,000 general fund for the 1993 biennium to OPI to fund educational programs for children with disabilities who are placed in an in-state children's psychiatric hospital or residential treatment facility. The Executive Budget proposes to reduce this appropriation by \$214,520 each year of the biennium, or 8.68 percent. OPI's contracts with treatment facilities are in place for the 1992 school year and cannot be reduced, according to OPI staff. Therefore, the entire reduction would need to be made in the second year of the biennium, resulting in a 17.4 percent reduction.

General Fund Budget Modifications

Modification Description	Pgm	-- Fiscal 1992 --			-- Fiscal 1993 --		
		FTE	Approp.	Percent Expended Thru Nov.	FTE	Approp.	
1) Financial Management	06	4.00	\$214,355	Implemented	NA	4.00	\$172,357
2) Court Fees	06	0.00	11,000	100.00%	0.00	0.00	0
3) Indian Education	06	0.00	24,071	Implemented	NA	0.00	23,997
4) Audiology	06	0.00	136,000	45,901	33.75%	0.00	0
5) Curriculum Specialists	06	0.00	210,000	Implemented	NA	0.00	210,000
Totals		4.00	\$595,426	\$56,901	9.56%	4.00	\$406,354

1) **Financial Management** - This modification added 4.0 FTE (two program officers, one programmer and one budget officer, all which have been hired) to assist in the distribution of and accountability for monthly foundation and Guaranteed Tax Base payments and transportation payments; to review school district reports for compliance with statutory guaranteed tax base, reserve and levy limitations; and to respond to increasing requests for information and training in the preparation of school district budgets and reports necessary to calculate state aid entitlements.

OFFICE OF PUBLIC INSTRUCTION

- 2) Court fees - This modification provided general fund to pay court-ordered attorney fees in a sex discrimination case filed against the Office of Public Instruction and the Montana High School Association. The case originated in 1982 and was resolved in 1991.
- 3) Indian Education - This modification funds half of the Indian education specialist position, which had been funded 100 percent from Johnson/ O'Malley federal funds in the 1991 biennium from the general fund. This action released additional federal funds for operating expenses and program enhancement.
- 4) Audiology - This program provides hearing tests and services to children throughout the state. For the 1989 and 1991 biennia, the program was funded from state funds and a US West donation. In 1990, US West informed OPI that it would no longer contribute to the program beyond fiscal 1991. The legislature funded \$136,000 general fund and \$82,000 from anticipated private sources for the 1993 biennium as a biennial appropriation.
- 5) Curriculum Specialists - The legislature added general fund each year for curriculum specialists funded from federal funds in the 1991 biennium. This was done to increase state support to local school districts for training and curriculum enhancement.

Other General Fund Appropriations

Bill Number and Description	Pgm	Fiscal 1992			Fiscal 1993		
		FTE	Approp.	Expended Thru Nov.	FTE	Approp.	Approp.
1) Special Educ Instate Treatment	09	0.00	\$2,471,000	\$475,080	0.00	0.00	\$0
Totals		0.00	\$2,471,000	\$475,080	0.00	0.00	\$0

HB 999 - Provide funding for education programs for children placed in in-state residential treatment facilities - The legislature provided a biennial general fund appropriation to OPI to fund educational programs for children with disabilities who are placed in an in-state children's psychiatric hospital or residential treatment facility.

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MONTANA UNIVERSITY SYSTEM

System Description

The Montana University System consists of the Commissioner of Higher Education, the three Community Colleges, the five vocational-technical centers, the six university units, the Agriculture Experiment Station, the Cooperative Extension Service, the Forestry and Conservation Experiment Station, the Bureau of Mines, and the Fire Services Training School.

Executive Budget Proposal

Description	General Fund	Fiscal 1992 Other Funds	Total Funds	General Fund	Fiscal 1993 Other Funds	Total Funds
1) Comm. of Higher Education	(\$307,913)	\$0	(\$307,913)	(\$691,999)	\$0	(\$691,999)
2) Community Colleges						
Dawson	(32,356)	0	(32,356)	(96,302)	0	(96,302)
Miles	(38,605)	0	(38,605)	(114,903)	0	(114,903)
Flathead Valley	(81,673)	0	(81,673)	(243,089)	0	(243,089)
3) University Units						
MSU	(553,260)	0	(553,260)	(4,122,188)	0	(4,122,188)
UM	(451,183)	0	(451,183)	(3,285,445)	0	(3,285,445)
EMC	(170,082)	0	(170,082)	(1,220,179)	0	(1,220,179)
NMC	(96,194)	0	(96,194)	(701,481)	0	(701,481)
WMCUM	(55,504)	0	(55,504)	(404,235)	0	(404,235)
MCNST	(116,122)	0	(116,122)	(846,823)	0	(846,823)
4) Vocational-Technical Centers						
Billings	(9,773)	0	(9,773)	(141,145)	0	(141,145)
Butte	(11,343)	0	(11,343)	(168,056)	0	(168,056)
Great Falls	(12,520)	0	(12,520)	(187,680)	0	(187,680)
Helena	(15,788)	0	(15,788)	(225,415)	0	(225,415)
Missoula	(16,101)	0	(16,101)	(228,123)	0	(228,123)
Ag. Experiment Station	(117,418)	0	(117,418)	(870,203)	0	(870,203)
5) Ag. Experiment Station						
Cooperative Extension Service	(44,746)	0	(44,746)	(335,259)	0	(335,259)
6) Bureau of Mines	(20,054)	0	(20,054)	(147,659)	0	(147,659)
7) Forestry/Cons. Exp. Station	(11,068)	0	(11,068)	(81,320)	0	(81,320)
8) Fire Services Training School	(3,818)	0	(3,818)	(26,364)	0	(26,364)
9) Total Expenditure Reductions	(2,165,521)	0	(2,165,521)	(14,137,888)	0	(14,137,888)
Totals	(\$2,165,521)	\$0	(\$2,165,521)	(\$14,137,888)	\$0	(\$14,137,888)

MONTANA UNIVERSITY SYSTEM

The higher education reduction proposed in the Executive Budget is based upon an 8 percent reduction in the total biennial general fund appropriation, or \$20,976,410 over the biennium. A portion of the proposed fiscal 1992 reduction was delayed until fiscal 1993, resulting in the greater reduction in that year.

In fiscal 1992, discretion to meet the Executive Order 28-91 reductions and allocate them among the various components of the Montana University System was given to the Board of Regents. The board's response (adopted at November meeting) included \$2.165 million of expenditure reductions and \$4.673 million increased tuition revenues from a one-time surcharge. The tuition surcharge totals \$15 per semester credit hour for all students at the six university units and the five vocational-technical centers, or \$210 and \$180 per full-time student, respectively. At its December meeting, the board delayed implementation of the tuition surcharge until January 31, 1992, pending action by the legislature. The Executive Budget proposes \$2.165 million of budget reductions in fiscal 1992, contingent upon passage of the executive liquor store initiative that would raise \$4.0 million for deposit into the general fund. If the initiative is not passed, the Executive Budget proposes an additional \$4.673 million in general fund cuts in the University System in fiscal 1992, for a total reduction of \$6.838 million.

The Executive Budget proposal allocates the fiscal 1993 general fund reduction to each component of the Montana University System based upon its percentage of general fund in House Bill 2. Discretion in determining how the general fund reductions would be accomplished within each component is left to the Board of Regents.

COMMISSIONER OF HIGHER EDUCATION

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	67.45		67.45	66.95		66.95	
Personal Services	1,969,222	210,255	2,179,477	1,952,817	337,111	2,289,928	4,469,405
Operating Expenses	2,346,676	0	2,346,676	2,288,338	0	2,288,338	4,635,014
Equipment	147,100	0	147,100	146,000	0	146,000	293,100
Local Assistance	3,887,356	0	3,887,356	4,290,246	0	4,290,246	8,177,602
Grants	7,344,439	0	7,344,439	7,406,590	0	7,406,590	14,751,029
Benefits and Claims	12,689,935	0	12,689,935	14,964,223	0	14,964,223	27,654,158
Transfers	3,278,447	0	3,278,447	3,127,953	0	3,127,953	6,406,400
Debt Service	706,255	0	706,255	698,153	0	698,153	1,404,408
Total Costs	\$32,369,430	\$210,255	\$32,579,685	\$34,874,320	\$337,111	\$35,211,431	\$67,791,116
Fund Sources							
General Fund	10,894,523	120,215	11,014,738	11,139,398	194,825	11,334,223	22,348,961
Federal Revenue Fund	7,574,975	83,678	7,658,653	7,550,465	132,233	7,682,698	15,341,351
Proprietary Fund	13,899,932	6,362	13,906,294	16,184,457	10,053	16,194,510	30,100,804
Total Funds	\$32,369,430	\$210,255	\$32,579,685	\$34,874,320	\$337,111	\$35,211,431	\$67,791,116

Agency Description

The Commissioner of Higher Education is the chief administrative officer of the Montana University System. Article X, Section 9 of the Montana Constitution provides that the Board of Regents appoint the commissioner and prescribe the powers and duties of the office. The commissioner and agency personnel are responsible for providing leadership, technical assistance, and staff support to the Board of Regents and postsecondary education agencies to enable coordination, consistent regulations and management, evaluation of policies and programs, and long-range planning. The agency provides budgetary planning and funds distribution for the postsecondary education agencies under its control, as well as administration for both state and federal student assistance programs.

COMMISSIONER OF HIGHER EDUCATION

Executive Budget Proposal

Description	Pgm	General Fund	Fiscal 1992 Other Funds	Total	General Fund	Fiscal 1993 Other Funds	Total
House Bill 2							
1) CHE Program Reduction	All	(\$307,913)	\$0	(\$307,913)	(\$691,999)	\$0	(\$691,999)
2) Community College Asst.	04						
Dawson		(32,356)	0	(32,356)	(96,302)	0	(96,302)
Miles		(38,605)	0	(38,605)	(114,903)	0	(114,903)
Flathead Valley		(81,673)	0	(81,673)	(243,089)	0	(243,089)
Totals		(\$450,547)	\$0	(\$450,547)	(\$1,146,293)	\$0	(\$1,146,293)

In the Executive Budget, the fiscal 1992 proposal for the Commissioner of Higher Education is based upon the allocation adopted by the Board of Regents at its October 31 meeting. The fiscal 1993 proposal is based upon this agency's share of the total general fund appropriation to the Montana University System in fiscal 1993. Discretion in determining how the reductions will be accomplished is left to the Board of Regents.

COMMISSIONER OF HIGHER EDUCATION

General Fund Budget Modifications

Modification Description	Pgm	FTE	Fiscal 1992 Approp.	Expended Thru Nov.	Percent Expended	FTE	Fiscal 1993 Approp.
1) Regents Employee Reporting System	01	1.00	\$121,053	\$11,542	9.53%	0.50	\$107,424
2) Increased SBOG Match	02	0.00	63,590	Implemented	NA	0.00	63,590
3) Increased Perkins Loan Match	02	0.00	36,270	Implemented	NA	0.00	36,270
4) State Work Study - Minimum Wage	02	0.00	105,203	Implemented	NA	0.00	105,203
5) Vo-Tech Center Contingency	15	0.00	150,000	0	.00%	0.00	0
Totals		1.00	\$476,116	\$11,542	2.42%	0.50	\$312,487

1) Regents' Employee Reporting System - The 1989 legislature enacted House Bill 26 requiring the development of a centralized personnel reporting system for the university system and vocational-technical centers. The budget includes general fund for system administration, utilization charges, and equipment in the 1993 biennium. The additional FTE has been hired.

2) Increased SBOG match - General fund was added due to an increase from 5.0 percent in fiscal 1990 to 15.0 percent in fiscal years 1992 and 1993 in the state match required for federal Supplemental Educational Opportunity Grant funds.

3) Increased Perkins Loan match - The state match required for the federal Perkins Loan funds is \$1 of state funds for each \$9 of federal funds. General fund was added to provide full state match capability to the anticipated level of Perkins Loan funds in the 1993 biennium.

4) State Work Study - Minimum Wage Increase - Additional general fund was appropriated each year of the 1993 biennium due to the minimum wage increase, which went into effect April 1, 1991. The modification is intended to provide student work study funds to approximately the same number of students in the 1993 biennium as received the benefits in the 1991 biennium.

COMMISSIONER OF HIGHER EDUCATION

5) Vo-Tech Center Contingency - The legislature approved a biennial general fund appropriation for contingency funds at the vocational-technical centers. The Office of Commissioner of Higher Education is authorized to transfer the contingency funds to one or more of the centers to mitigate any unforeseen problems that may occur in implementing the vo-tech funding formula.

Other General Fund Appropriations

Bill Number and Description	Pgm	-- Fiscal 1992 --		-- Fiscal 1993 --	
		FTE	Approp. Expend Thru Nov.	Percent Expend	FTE Approp.
1) HB 125 - Minority Achievement	06	0.00	\$175,648	16.59%	0.00
Totals		0.00	\$175,648	16.59%	0.00

HB 125 - Minority Achievement - The legislature approved a biennial general fund appropriation to support the staff and operation of the director of American Indian/minority achievement in the Office of the Commissioner of Higher Education. One purpose of the legislation is to continue the data collection and analysis begun by the Montana "TRACKS" project, a project supported by a private grant in the 1991 biennium.

VOCATIONAL-TECHNICAL SYSTEM

Center	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
Billings	1,921,946	68,704	1,990,650	1,887,781	108,301	1,996,082	3,986,732
Butte	1,811,590	61,754	1,873,344	1,816,933	96,936	1,913,869	3,787,213
Great Falls	2,209,899	91,362	2,301,261	2,220,035	143,733	2,363,768	4,665,029
Helena	2,574,433	90,924	2,665,357	2,499,978	143,065	2,643,043	5,308,400
Missoula	2,720,523	111,878	2,832,401	2,623,289	178,491	2,799,780	5,632,181
Center Totals	\$11,238,391	\$424,622	\$11,663,013	\$11,048,016	\$668,526	\$11,716,542	\$23,379,555
<u>Program</u>							
Instruction	6,764,079	145,449	6,909,528	6,540,556	229,210	6,769,766	13,679,294
Support	3,113,469	159,920	3,273,389	3,138,430	251,818	3,390,248	6,663,637
Physical Plant	1,360,843	119,253	1,480,096	1,369,030	187,498	1,556,528	3,036,624
Total Costs	\$11,238,391	\$424,622	\$11,663,013	\$11,048,016	\$668,526	\$11,716,542	\$23,379,555
<u>Funding</u>							
General Fund	8,356,936	424,622	8,781,558	8,150,086	668,526	8,818,612	17,600,170
Tuition	1,914,450	0	1,914,450	1,914,450	0	1,914,450	3,828,900
County Millage	965,005	0	965,005	981,480	0	981,480	1,946,485
Other	2,000	0	2,000	2,000	0	2,000	4,000
Total Funds	\$11,238,391	\$424,622	\$11,663,013	\$11,048,016	\$668,526	\$11,716,542	\$23,379,555

System Description

Montana's five postsecondary vocational-technical centers in Billings, Butte, Great Falls, Helena, and Missoula collectively serve approximately 2,500 FTE students. As of July 1988, the Board of Regents assumed general administrative and supervisory control over vocational-technical center education. In fiscal year 1990, total costs of operating the centers were assumed by the state and all staff of the five centers became employees of the state of Montana. Prior to this time, staff members were employees of the local school districts.

VOCATIONAL-TECHNICAL SYSTEM

The primary role of vocational-technical education is to provide individuals preparing to enter, advance, or change their careers with vocational and technical competencies and life skills. Training is offered in a variety of disciplines in the major areas of agriculture, health, office, marketing, home economics, and trade and technical. The centers award certificates of completion and, with the approval of the Board of Regents, award the Associate of Applied Science degree for appropriate programs.

Executive Budget Proposal

Description	Pgm	Fiscal 1992		Fiscal 1993		Total Funds
		General Fund	Other Funds	General Fund	Other Funds	
House Bill 2						
1) Billings	All	(\$9,773)	\$0	(\$141,145)	\$0	(\$141,145)
2) Butte	All	(11,343)	0	(168,056)	0	(168,056)
3) Great Falls	All	(12,520)	0	(187,680)	0	(187,680)
4) Helena	All	(15,788)	0	(225,415)	0	(225,415)
5) Missoula	All	(16,101)	0	(228,123)	0	(228,123)
Totals		(\$65,525)	\$0	(\$950,419)	\$0	(\$950,419)

VOCATIONAL-TECHNICAL SYSTEM

In the Executive Budget, the fiscal 1992 proposal for the Vocation-Technical Centers is based upon the allocation adopted by the Board of Regents at its October 31 meeting, contingent upon passage of the Executive liquor store initiative. If this initiative is not passed, the Executive Budget proposes an additional \$417,000 in general fund cuts in fiscal 1992, for a total reduction of \$482,425 as shown in table 1. The fiscal 1993 proposal is based upon the five centers' share of the total general fund appropriation to the Montana University System in fiscal 1993. Discretion in determining how the reductions will be accomplished is left to the Board of Regents.

Table 1
General Fund Reduction
Without Liquor Store Initiative
Fiscal 1992

Unit	Exec. Bgt. Proposal	Add W/O Initiative	Total G.F. Reduction
Billings	\$9,773	\$65,699	\$75,472
Butte	11,343	57,598	68,941
Great Falls	12,520	103,813	116,333
Helena	15,788	92,580	108,368
Missoula	16,101	97,310	113,411
Total	<u>\$65,525</u>	<u>\$417,000</u>	<u>\$482,525</u>

SIX UNIVERSITY UNITS

<u>Budget Item</u>	<u>HB 2 Fiscal 1992</u>	<u>Pay Plan Fiscal 1992</u>	<u>Total Fiscal 1992</u>	<u>HB 2 Fiscal 1993</u>	<u>Pay Plan Fiscal 1993*</u>	<u>Total Fiscal 1993</u>	<u>Total Biennium 1992-93</u>
<u>Campus</u>							
MSU	53,430,243	1,621,535	55,051,778	53,117,624	2,658,345	55,775,969	110,827,747
UM	44,850,824	1,401,208	46,252,032	44,725,145	2,300,491	47,025,636	93,277,668
EMC	16,414,458	540,418	16,954,876	16,157,860	886,115	17,043,975	33,998,851
NMC	8,621,172	333,096	8,954,268	8,543,537	553,821	9,097,358	18,051,626
WMCU	4,981,588	208,857	5,190,445	4,915,429	340,813	5,256,242	10,446,687
MCNST	10,134,610	351,411	10,486,021	10,056,016	575,370	10,631,386	21,117,407
Campus Totals	\$138,432,895	\$4,456,525	\$142,889,420	\$137,515,611	\$7,314,955	\$144,830,566	\$287,719,986
<u>Program</u>							
Instruction	76,463,033	1,323,858	77,786,891	76,208,715	2,172,225	78,380,940	156,167,831
Support	39,225,124	2,321,507	41,546,631	38,216,551	3,811,521	42,028,072	83,574,703
Research	1,297,743	59,772	1,357,515	1,268,415	96,766	1,365,181	2,722,696
Public Service	829,049	54,517	883,566	1,049,882	90,136	1,140,018	2,023,584
Plant O&M	17,109,808	696,871	17,806,679	17,263,910	1,144,307	18,408,217	36,214,896
Scholar & Fellow	3,508,138	0	3,508,138	3,508,138	0	3,508,138	7,016,276
Total Costs	\$138,432,895	\$4,456,525	\$142,889,420	\$137,515,611	\$7,314,955	\$144,830,566	\$287,719,986
<u>Fund Sources</u>							
General Fund	93,922,080	3,296,525	97,218,605	92,760,796	5,410,955	98,171,751	195,390,356
Six Mill Levy	11,887,000	0	11,887,000	12,131,000	0	12,131,000	24,018,000
Tuition	31,998,465	0	31,998,465	31,998,465	0	31,998,465	63,996,930
Other	625,350	1,160,000	1,785,350	625,350	1,904,000	2,529,350	4,314,700
Total Funds	\$138,432,895	\$4,456,525	\$142,889,420	\$137,515,611	\$7,314,955	\$144,830,566	\$287,719,986
*Preliminary allocation per the Office of Budget and Program Planning.							

SIX UNIVERSITY UNITS

System Description

The six university units are composed of Montana State University in Bozeman, the University of Montana in Missoula, Eastern Montana College in Billings, Northern Montana College in Havre, Western Montana College of the University of Montana in Dillon, and the Montana College of Mineral Science and Technology in Butte. The units serve approximately 25,000 full-time equivalent students annually. The system offers certificates and associate, baccalaureate, masters', and doctorate degrees in several different fields.

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total	General Fund	Other Funds	Total
House Bill 2							
1) Program Reduction							
MSU	All	\$(553,260)	0	\$(553,260)	\$(4,122,188)	0	\$(4,122,188)
UM	All	(451,183)	0	(451,183)	(3,285,445)	0	(3,285,445)
EMC	All	(170,082)	0	(170,082)	(1,220,179)	0	(1,220,179)
NMC	All	(96,194)	0	(96,194)	(701,481)	0	(701,481)
WMCUM	All	(55,504)	0	(55,504)	(404,255)	0	(404,255)
MCNST	All	(116,122)	0	(116,122)	(846,823)	0	(846,823)
Totals		\$(1,442,345)	\$0	\$(1,442,345)	\$(10,580,371)	\$0	\$(10,580,371)

SIX UNIVERSITY UNITS

In the Executive Budget, the fiscal 1992 proposal for the six university units is based upon the allocation adopted by the Board of Regents at its October 31 meeting, contingent upon passage of the liquor store initiative. If this initiative is not passed, the Executive Budget proposes an additional \$4,256,000 in general fund cuts in fiscal 1992, as shown in Table 1. The fiscal 1993 proposal is based upon the six units' share of the total general fund appropriation to the Montana University System in fiscal 1993. Discretion in determining how the reductions will be accomplished is left to the Board of Regents.

Table 1
General Fund Reduction
Without Liquor Store Initiative
Fiscal 1992

Unit	Exec. Bgt. Proposal	Add W/O Initiative	Total G.F. Reduction
MSU	\$553,260	\$1,610,000	\$2,163,260
UM	451,183	1,424,000	1,875,183
EMC	170,082	574,000	744,082
NMC	96,194	248,000	344,194
WMCUM	55,504	153,000	208,504
MCMST	116,122	247,000	363,122
Total	<u>\$1,442,345</u>	<u>\$4,256,000</u>	<u>\$5,698,345</u>

SIX UNIVERSITY UNITS

The 1991 legislature appropriated an additional \$28.2 million of general fund to the six university units in the 1993 biennium, compared to the fiscal 1991 level. Of this total, approximately \$23.1 million was appropriated for arbitrated salary increases, the 1993 biennium pay plan, increases in enrollment, and accreditation needs. Table 2 compares the fiscal 1991 general fund appropriation to the Executive Budget proposal in fiscal 1992 and fiscal 1993. Adoption of the Executive liquor store initiative is assumed in fiscal 1992.

Table 2
Comparison - Six University Units
Appropriated Fiscal 1992 - Executive Budget 1993 Biennium
General Fund, in Millions

Unit	Appropriated Fiscal 1991	Executive Fiscal 1992	Difference \$	Difference %	Executive Fiscal 1993	Difference \$	Difference %
MSU	\$32.8	\$37.4	\$4.6	13.9%	\$34.1	\$1.3	4.1%
UM	25.3	29.7	4.4	17.0%	27.2	1.9	7.3%
EMC	9.7	11.2	1.5	15.2%	10.1	0.4	4.1%
NMC	5.6	6.3	0.7	12.4%	5.8	0.2	3.3%
WMCUM	3.3	3.6	0.3	12.4%	3.4	0.1	3.1%
MCMST	6.9	7.6	0.7	10.9%	7.0	0.1	1.9%
Total	\$83.6	\$95.8	\$12.2	14.6%	\$87.6	\$4.0	4.8%

SIX UNIVERSITY UNITS

General Fund Current Level Adjustments and Budget Modifications

Current Lvl Adj. and Mod. Description	Pgm	FTE	Fiscal Approp.	1992 Expended Thru Nov.	Percent Expended	FTE	Fiscal 1993 Approp.
1) Arbitrated Salaries - All	01	0.00	\$3,877,453	Implemented	NA	0.00	\$3,877,453
2) NSF Math Grant Match - MSU	01	0.00	1,000,000	Implemented	.00%	0.00	0
3) Nursing Expansion - MSU	01	0.00	313,388	Implemented	NA	0.00	584,443
4) Great Falls Campus - NMC*	--	0.00	306,732	Implemented	NA	0.00	308,804
5) Accreditation Needs - MSU, UM, EMC, MCMST	01	0.00	1,496,991	Implemented	NA	0.00	1,938,837
6) Accreditation Needs - EMC	44	0.00	63,099	Implemented	NA	0.00	48,815
7) Liability Insurance Premium Increases	44	0.00	209,940	Implemented	NA	0.00	232,685
8) Disability Services - UM, EMC	44	0.00	162,483	Implemented	NA	0.00	166,135
9) Museum of the Rockies - MSU	03	0.00	150,000	149,869	99.91%	0.00	150,000
10) Public Television - MSU	03	0.00	100,000	86,239	86.24%	0.00	200,000
11) Public Television - UM	03	0.00	30,000	1,358	4.53%	0.00	150,000
12) Montana Repertory Theatre - UM	03	0.00	90,000	16,199	18.00%	0.00	90,000
13) Yellow Bay Research Center - UM	02	0.00	92,000	Implemented	NA	0.00	90,000
14) Additional Program Support - EMC**	--	0.00	38,503	Implemented	NA	0.00	34,024
15) Regents Employee Reporting System	44	0.00					
MSU		0.83	\$28,580	\$18,858	65.98%	0.83	\$28,580
UM		0.72	25,766	0	.00%	0.72	25,766
EMC		0.36	14,608	0	.00%	0.36	14,608
NMC		0.31	9,050	0	.00%	0.31	8,820
WMCUM		0.30	8,865	0	.00%	0.30	8,865
MCMST		0.30	8,993	2,271	25.25%	0.30	8,993
Minimum Wage Increase - All	44	0.00	297,813	Implemented	NA	0.00	297,813
Library Book Acquisitions	44	0.00					
MSU		0.00	321,683	160,775	49.98%	0.00	0
UM		0.00	281,715	0	.00%	0.00	0
EMC		0.00	112,965	0	.00%	0.00	0
NMC		0.00	53,234	11,009	20.68%	0.00	0
WMCUM		0.00	31,158	0	.00%	0.00	0
MCMST		0.00	51,805	0	.00%	0.00	0
Bureau of Business & Econ Research	02	0.00	30,000	0	.00%	0.00	0
Total Current Lvl. Adj. and Modifications		2.82	\$9,206,824	\$446,578	4.85%	2.82	\$8,269,861

*Instruction (01) and Support (44).

**Public Service (03) and Physical Plant (07).

SIX UNIVERSITY UNITS

- 1) Arbitrated Salaries - The legislature funded salary increases from the 1991 biennium achieved through an arbitration agreement. This agreement provided a 2.5 percent annual increase and a 1.0 percent merit pool each year of the 1991 biennium. This increase was not funded by the 1989 legislature, but was added to the personal services base by the 1991 legislature. The average faculty salaries used in formula calculations reflect the salary arbitration agreement.
- 2) NSF Math Grant Match - General fund was approved for use as state matching funds for a National Science Foundation math grant to develop a new method of teaching mathematics to high school students. The appropriation was established at Montana State University but is intended for use at all campuses. An additional \$1.0 million annually will be required as a state match in fiscal years 1994-1997. The total grant from the National Science Foundation is \$9.9 million. The consortium overseeing the grant is currently setting guidelines for requests for proposals and has received confirmation that the grant has been awarded to the state.
- 3) Nursing Expansion - This addition allows the Montana State University School of Nursing to hire sufficient faculty at its Missoula campus to accommodate 30 additional students in the "pipeline" from fiscal 1991 levels.
- 4) NMC-Great Falls Campus - The legislature increased budgeted enrollment by 72 students at Northern Montana College to allow for actual enrollment increases at the Great Falls campus. This adjustment impacted the instruction and support programs.
- 5 and 6) Accreditation Needs - Several of the campus' accreditation needs were addressed by the legislature through the following biennial adjustments: 1) \$1,564,503 for MSU's engineering program; 2) \$398,802 for UM's pharmacy school; 3) \$695,653 for EMC's education program; and 4) \$890,784 for MCMST's engineering program. The funding formula factors were adjusted to include all additions except a portion of the pharmacy school increase.
- 7) Liability Insurance Premium Increases - This addition funds the net change in liability insurance premiums from fiscal 1988 to fiscal years 1992 and 1993 paid to the Tort Claims Division of the Department of Administration. This resulted in a small decrease at Montana State University and increases at the five remaining units.
- 8) Disability Services - This addition as made to address the need to improve educational services to disabled students, including interpreter services, specific adaptive equipment, and course and library materials, at the University of Montana and Eastern Montana College.
- 9) Museum of the Rockies - This addition was made for general support of the Museum of the Rockies.
- 10 and 11) Public Television - The University of Montana and Montana State University received general fund in the 1993 biennium for the support and enhancement of public television services in Montana.

SIX UNIVERSITY UNITS

- 12) Montana Repertory Theatre - Funds were added to transform the Montana Repertory Theatre at the University of Montana into a "Cultural Extension Service". The additional funds will enable the Repertory Theatre to perform and teach "in residence" at each of the units of the university system. The addition was made with the intention that the increased support would be an on-going part of the base operating budget of the University of Montana.
- 13) Yellow Bay Research Center - The legislature added 1.0 FTE faculty and equipment each year of the 1993 biennium to enhance operations at the Yellow Bay Research Center. The addition was made with the intention that it become an on-going part of the base operating budget of the University of Montana.
- 14) Additional Program Support - Funds were added to the Physical Plant program at Eastern Montana College for utilities expenses at Apsaruke Hall and for a special improvement district assessment from the city of Billings. The amount needed by EMC for SID payments in future biennia is expected to decline continually until the SID is paid off in 2006. An adjustment was also made to the personal services cost in the Public Service program at Eastern Montana College because the campus transferred operating expenses into personal services in fiscal 1990 due to a realignment of expenditures.
- 15) Regents Employee Reporting System - The 1989 legislature enacted House Bill 26 requiring the development of a centralized personnel reporting system for the university system and vocational-technical centers. The budget includes general fund for the six university units to provide information to the centralized system.
- 16) Minimum Wage Increase - This addition was made to allow each of the six university units to continue to provide the same level of employment opportunities to students while increasing the hourly rate to the federal minimum wage level.
- 17) Library Book Acquisitions - This biennial appropriation was made to each unit to increase library material acquisitions.
- 18) Bureau of Business & Economic Research-UM - This budget modification provides a biennial appropriation to the Bureau of Business and Economic Research at the University to continue its economic forecasting program and publications. This program was formerly funded by a grant from US West.

AGRICULTURAL EXPERIMENT STATION

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	260.67		260.67	261.67		261.67	
Personal Services	8,066,661	434,879	8,501,540	8,090,498	715,708	8,806,206	17,307,746
Operating Expenses	1,529,508	0	1,529,508	1,525,835	0	1,525,835	3,055,343
Equipment	258,633	0	258,633	243,633	0	243,633	502,266
Total Costs	\$9,854,802	\$434,879	\$10,289,681	\$9,859,966	\$715,708	\$10,575,674	\$20,865,355
<u>Fund Sources</u>							
General Fund	7,338,082	0	7,338,082	7,358,615	0	7,358,615	14,696,697
Current Unrestricted	2,516,720	434,879	2,951,599	2,501,351	715,708	3,217,059	6,168,658
Total Funds	\$9,854,802	\$434,879	\$10,289,681	\$9,859,966	\$715,708	\$10,575,674	\$20,865,355

Agency Description

The Montana Agricultural Experiment Station (MAES) was established at Montana State University by the legislature in 1893 under Hatch Act authorization enacted by the U.S. Congress. Its mission, as provided in Section 20-25-222, MCA, is to conduct research relating to agriculture, natural resources, and rural life and to distribute the resulting information among the people of Montana. The MAES is the agricultural research component of the land-grant university's three-part mission of teaching, research, and service.

The goal of the MAES is to enhance the social and economic well-being of the state, national, and international communities through research programs addressing problems facing crop and livestock producers and consumers of agricultural products. Research is conducted to improve the competitive position of Montana farmers and ranchers; to ensure the safety, wholesomeness, and cost-effectiveness of agricultural production; and to develop agricultural techniques applicable to semi-arid and intermountain regions throughout the world.

AGRICULTURAL EXPERIMENT STATION

Executive Budget Proposal

Description	Pgm	General Fund	Fiscal 1992 Other Funds	Total Funds	General Fund	Fiscal 1993 Other Funds	Total Funds
House Bill 2							
1) Program Reduction	02	(\$117,419)	\$0	(\$117,419)	(\$870,203)	\$0	(\$870,203)
Totals		(\$117,419)	\$0	(\$117,419)	(\$870,203)	\$0	(\$870,203)

In the Executive Budget, the fiscal 1992 proposal for the Agriculture Experiment Station is based upon the allocation adopted by the Board of Regents at its October 31 meeting. The fiscal 1993 proposal is based upon this agency's share of the total general fund appropriation to the Montana University System in fiscal 1993. Discretion in determining how the reductions will be accomplished is left to the Board of Regents.

General Fund Budget Modifications

Modification Description	Pgm	FTE	Fiscal 1992 Approp.	Expended Thru Nov.	Percent Expended	FTE	Fiscal 1993 Approp.
1) Biological Weed Control	02	1.00	\$60,000	\$1,601	2.67%	2.00	\$80,572
Totals		1.00	\$60,000	\$1,601	2.67%	2.00	\$80,572

AGRICULTURAL EXPERIMENT STATION

2) Biological Weed Control - This modification was added to allow additional and more rapid development and use of plant pathogens as biological control agents for a variety of weed pests that impact field crops. The position had not been filled as of November 30, 1991, although recruitment procedures have begun.

Other General Fund Appropriations

Bill Number and Description	Pgm	FTE	Fiscal 1992 Approp.	Expended Thru Nov.	Percent Expended	FTE	Fiscal 1993 - Approp.
1) HB 365 - Applied Genetic Engineering	02	0.00	\$60,000	\$3,563	5.94%	0.00	\$0
Totals		0.00	\$60,000	\$3,563	5.94%	0.00	\$0

HB 365 - Applied Genetic Engineering - The legislature approved a biennial general fund appropriation to provide additional support for applied genetic engineering technology research and development to enhance Montana agricultural programs. The bill stipulates that no administrative or other indirect costs may be funded by this appropriation.

COOPERATIVE EXTENSION SERVICE

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	116.73		116.73	116.64		116.64	
Personal Services	4,150,074	207,025	4,357,099	4,146,417	340,813	4,487,230	8,844,329
Operating Expenses	527,965	0	527,965	527,115	0	527,115	1,055,080
Equipment	87,312	0	87,312	83,812	0	83,812	171,124
Total Costs	\$4,765,351	\$207,025	\$4,972,376	\$4,757,344	\$340,813	\$5,098,157	\$10,070,533
<u>Fund Sources</u>							
General Fund	2,778,004	0	2,778,004	2,769,940	0	2,769,940	5,547,944
Current Unrestricted	1,987,347	207,025	2,194,372	1,987,404	340,813	2,328,217	4,522,589
Total Funds	\$4,765,351	\$207,025	\$4,972,376	\$4,757,344	\$340,813	\$5,098,157	\$10,070,533

Agency Description

The Montana Extension Service was established in 1914 as a result of the federal Smith-Lever Act. The Extension Service is dedicated to disseminating and encouraging practical use of research about agricultural production and marketing, human resource development, and home economics.

The Extension Service serves 53 of the 56 counties through 49 county extension offices. It has four area offices, with its main operations being housed in Bozeman on the Montana State University (MSU) campus. Background materials for the Extension Service's educational efforts are developed by: the Extension Service; the Agricultural Experiment Station and other MSU faculty; from research information available through faculty from other public and private universities and colleges; from information provided by researchers and other state and federal agency personnel; and from researchers in the private sector.

COOPERATIVE EXTENSION SERVICE

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total	General Fund	Other Funds	Total
House Bill 2							
1) Program Reduction	03	(\$44,746)	\$0	(\$44,746)	(\$335,259)	\$0	(\$335,259)
Totals		(\$44,746)	\$0	(\$44,746)	(\$335,259)	\$0	(\$335,259)

In the Executive Budget, the fiscal 1992 proposal for the Cooperative Extension Service is based upon the allocation adopted by the Board of Regents at its October 31 meeting. The fiscal 1993 proposal is based upon this agency's share of the total general fund appropriation to the Montana University System in fiscal 1993. Discretion in determining how the reductions will be accomplished is left to the Board of Regents.

FORESTRY & CONSERVATION EXPERIMENT STATION

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	16.09		16.09	16.09		16.09	
Personal Services	569,108	27,199	596,307	569,108	42,602	611,710	1,208,017
Operating Expenses	129,030	0	129,030	129,832	0	129,832	258,862
Equipment	13,000	0	13,000	13,000	0	13,000	26,000
Total Costs	\$711,138	\$27,199	\$738,337	\$711,940	\$42,602	\$754,542	\$1,492,879
Fund Sources							
General Fund	711,138	0	711,138	711,940	0	711,940	1,423,078
Current Unrestricted	0	27,199	27,199	0	42,602	42,602	69,801
Total Funds	\$711,138	\$27,199	\$738,337	\$711,940	\$42,602	\$754,542	\$1,492,879

Agency Description

The Montana Forest and Conservation Experiment Station was established by the Montana legislature in 1937 as a non-profit organization devoted to the scientific investigation of natural resource problems. The station serves as the research unit of the University of Montana School of Forestry with the Dean of the School of Forestry functioning as the station director.

The Montana Forest and Conservation Experiment Station's purposes include the study of relationships between forests and other dimensions of the environment, the discovery of ways to improve the products of forest lands, and the completion and publication of reports about forestry research. Research is carried on at Lubrecht Experimental Forest and at other locations in Montana in cooperation with private, state, and federal agencies.

FORESTRY & CONSERVATION EXPERIMENT STATION

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total	General Fund	Other Funds	Total
House Bill 2							
1) Program Reduction	02	(\$11,068)	\$0	(\$11,068)	(\$81,320)	\$0	(\$81,320)
Totals		(\$11,068)	\$0	(\$11,068)	(\$81,320)	\$0	(\$81,320)

In the Executive Budget, the fiscal 1992 proposal for the Forestry and Conservation Experiment Station is based upon the allocation adopted by the Board of Regents at its October 31 meeting. The fiscal 1993 proposal is based upon this agency's share of the total general fund appropriation to the Montana University System in fiscal 1993. Discretion in determining how the reductions will be accomplished is left to the Board of Regents.

BUREAU OF MINES

<u>Budget Item</u>	<u>HB 2</u> <u>Fiscal</u> <u>1992</u>	<u>Pay Plan</u> <u>Fiscal</u> <u>1992</u>	<u>Total</u> <u>Fiscal</u> <u>1992</u>	<u>HB 2</u> <u>Fiscal</u> <u>1993</u>	<u>Pay Plan</u> <u>Fiscal</u> <u>1993</u>	<u>Total</u> <u>Fiscal</u> <u>1993</u>	<u>Total</u> <u>Biennium</u> <u>1992-93</u>
FTE	26.82		26.82	26.82		26.82	
Personal Services	958,180	49,320	1,007,500	958,180	80,696	1,038,876	2,046,376
Operating Expenses	348,223	0	348,223	349,115	0	349,115	697,338
Equipment	28,500	0	28,500	28,500	0	28,500	57,000
Total Costs	\$1,334,903	\$49,320	\$1,384,223	\$1,335,795	\$80,696	\$1,416,491	\$2,800,714
<u>Fund Sources</u>							
General Fund	1,288,493	0	1,288,493	1,289,384	0	1,289,384	2,577,877
Current Unrestricted	46,410	49,320	95,730	46,411	80,696	127,107	222,837
Total Funds	\$1,334,903	\$49,320	\$1,384,223	\$1,335,795	\$80,696	\$1,416,491	\$2,800,714

Program Description

The Bureau of Mines and Geology is a public service and research agency at the Montana College of Mineral Science and Technology in Butte. The bureau is charged with promoting the effective use of mineral resources through investigation of their geology, production, treatment, and economics. It disseminates information through publications and replies to individual inquiries. The bureau's work includes field and laboratory study, collection of samples and information, interpretation of data, and compilation of statistics on all mineral resources--metallic and non-metallic minerals, fuels, and groundwater. Projects are undertaken in cooperation with the U.S. Geological Survey, the U.S. Bureau of Mines, and other agencies.

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BUREAU OF MINES

Executive Budget Proposal

Description	Pgm	Fiscal 1992		Fiscal 1993		Total
		General Fund	Other Funds	General Fund	Other Funds	
House Bill 2						
1 Program Reduction	11	(\$20,054)	\$0	(\$147,659)	\$0	(\$147,659)
Totals		(\$20,054)	\$0	(\$147,659)	\$0	(\$147,659)

In the Executive Budget, the fiscal 1992 proposal for the Bureau of Mines is based upon the allocation adopted by the Board of Regents at its October 31 meeting. The fiscal 1993 proposal is based upon this agency's share of the total general fund appropriation to the Montana University System in fiscal 1993. Discretion in determining how the reductions will be accomplished is left to the Board of Regents.

MONTANA COUNCIL ON VOCATIONAL EDUCATION

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	2.50		2.50	2.50		2.50	
Personal Services	82,192	4,695	86,887	82,204	7,456	89,660	176,547
Operating Expenses	86,990	0	86,990	82,946	0	82,946	169,936
Equipment	500	0	500	500	0	500	1,000
Total Costs	\$169,682	\$4,695	\$174,377	\$165,650	\$7,456	\$173,106	\$347,483
Fund Sources							
Federal Revenue Fund	169,682	4,695	174,377	165,650	7,456	173,106	347,483
Total Funds	\$169,682	\$4,695	\$174,377	\$165,650	\$7,456	\$173,106	\$347,483

Agency Description

The Montana State Council on Vocational Education was created in 1985 to comply with the Carl D. Perkins Vocational Education Act of 1984 (P.L. 98-524). The purpose of the thirteen-member council is to analyze and evaluate the vocational education program delivery system assisted under the Perkins Act and under the Job Training Partnership Act, and to report to and advise the Governor, State Board of Regents of Higher Education, Department of Education, business community, and general public on how well the state's needs for vocational education are being met.

Executive Budget Proposal

The Executive Budget proposes no changes in this agency's budget.

FIRE SERVICES TRAINING SCHOOL

Budget Item	HB 2 Fiscal 1992	Pay Plan Fiscal 1992	Total Fiscal 1992	HB 2 Fiscal 1993	Pay Plan Fiscal 1993	Total Fiscal 1993	Total Biennium 1992-93
FTE	5.00		5.00	5.00		5.00	
Personal Services	175,657	15,897	191,554	176,368	25,562	201,930	393,484
Operating Expenses	44,922	0	44,922	42,696	0	42,696	87,618
Equipment	18,225	0	18,225	0	0	0	18,225
Total Costs	\$238,804	\$15,897	\$254,701	\$219,064	\$25,562	\$244,626	\$499,327
Fund Sources							
General Fund	238,804	0	238,804	219,064	0	219,064	457,868
Current Unrestricted	0	15,897	15,897	0	25,562	25,562	41,459
Total Funds	\$238,804	\$15,897	\$254,701	\$219,064	\$25,562	\$244,626	\$499,327

Agency Description

As authorized in Section 20-31-102, MCA, the Fire Services Training School (FSTS) exists to organize, supervise, and coordinate training and education for fire service personnel in the state in accordance with local needs and the standards established by the Board of Regents. The board provides general supervision of the school, which is located in Great Falls at the vocational-technical center. The Fire Services Training School administers and maintains a resource center for use by localities; provides regional, local, and state-wide training programs for fire services personnel; develops courses and training materials; maintains a network of unsalaried field instructors and offers a fire service professional certification program. The school is attached to the Cooperative Extension Service for administrative purposes.

FIRE SERVICES TRAINING SCHOOL

Executive Budget Proposal

Description	Pgm	Fiscal 1992			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) Fire Service Training School		\$3,818	\$0	\$3,818	\$26,364	\$0	\$26,364
Totals		\$3,818	\$0	\$3,818	\$26,364	\$0	\$26,364

In the Executive Budget, the fiscal 1992 proposal for the Fires Service Training School is based upon the allocation adopted by the Board of Regents at its October 31 meeting. The fiscal 1993 proposal is based upon this agency's share of the total general fund appropriation to the Montana University System in fiscal 1993. Discretion in determining how the reductions will be accomplished is left to the Board of Regents.



LONG RANGE PLANNING

LONG RANGE PLANNING

Executive Budget Proposal

Description	Fiscal 1992				Fiscal 1993			
	Pgm	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds	
House Bill 2								
1) MSU Engineering Bldg.	NA	(\$75,000)		(\$75,000)				
2) NMC Gymnasium	NA	(82,500)		(82,500)				
3) U-System Deferred Maint.	NA	(82,500)		(82,500)				
4) Capitol Parking Lot	NA	(50,000)		(50,000)				
Totals		(\$290,000)		(\$290,000)	\$0	\$0	\$0	

1-3) See explanation under General Fund Appropriation in HB 5.

4) Capitol Parking Lot House Bill 5 appropriated \$123,014 from the Capitol Land Grant fund to repair parking lots in the capitol complex area. The Executive Budget proposes to reduce this appropriation by \$50,000. Since the unexpended balance of the Capitol Land Grant funds is transferred to the general fund each year, this action would increase the general fund revenue.

General Fund Appropriations in HB 5

As shown in the Table 1, House Bill 5 contained four general fund projects for the university system, totalling \$3 million. This table shows the status of these appropriations, as of November 30, 1991. The only appropriation that had been spent is the funding for purchase of a new computer for Eastern Montana College. As shown in the table above, the Executive Budget proposes an 8 percent reduction (\$240,000) in the remaining three appropriations.

Table 1
General Fund Appropriations HB 5

<u>Project</u>	<u>Appropriated</u>	<u>Expended Through 11/30/91</u>	<u>Balance Remaining</u>
U-System Deferred Maint.	\$600,000	\$0	\$600,000
EMC Computers	600,000	600,000	0
MSU Eng./Science Bldg.	500,000	0	500,000
NMC Gymnasium	<u>1,300,000</u>	<u>0</u>	<u>1,300,000</u>
Totals	\$3,000,000	\$600,000	\$2,400,000

Following is the status of the unexpended appropriations:

U-System Deferred Maintenance - The Office of the Commissioner of Higher Education has determined the allocation of these funds among the units but no projects have been started.

Montana State University - MSU must generate \$2.17 million in required match for the Engineering & Science building before the general fund can be expended.

Northern Montana College - The architect was selected and is currently preparing a preliminary design for approximately \$1.30 million in repairs to the pool area of the gymnasium.

Capital Projects - 1991 Legislative Session

In House Bill 5, the 1991 legislature appropriated \$133.50 million for capital projects. Table 2 summarizes the projects by agency and funding sources.

Table 2
Long Range Projects Authorized in House Bill 5
(Millions)

Agency	Capital Projects Fund	General Fund	State Special Fund	Federal Special Fund	Other Funds	LRBF Bond Proceeds	Totals
Administration	\$0.96		\$0.50	\$1.00	\$0.82		\$3.28
Commerce				0.47	0.05		0.52
Fish, Wildlife, and Parks			11.56	2.30			13.86
State Lands	0.35		0.19	0.10			0.64
Labor				0.52			0.52
Transportation			1.86	0.12			1.98
Family Services	0.16						0.16
School for Deaf and Blind	0.34						0.34
Military Affairs	0.36			18.31		0.40	19.07
Corrections & Human Serv	1.61			0.01	0.32	29.44	31.38
University System	<u>4.25</u>	<u>3.00</u>		<u>12.00</u>	<u>11.08</u>	<u>31.42</u>	<u>61.75</u>
Totals	\$8.03	\$3.00	\$14.11	\$34.83	\$12.27	\$61.26	\$133.50

The legislature authorized construction in House Bill 5 of four major building projects, at an anticipated cost of \$68.0 million. The legislature authorized issuance of general obligation bonds to finance \$61.3 million of these costs.

In addition to House Bill 5, House Bill 963 authorized an \$8.7 million major renovation at Montana Developmental Center, to be financed by a loan from Montana Health Facilities Authority (HFA). The 1991 legislature authorized

HFA to sell bonds to provide funding for the loan. The loan will be paid from a general fund appropriation to the Department of Corrections and Human Services (DCHS). DCHS anticipates that Medicaid reimbursements for a portion of the depreciation and interest costs for the loan, coupled with reduced operating costs, will offset the additional costs of the loan repayment from the general fund.

Status of Major Construction Projects

The current status of each major construction project financed by bonding or loan authorized by the 1991 legislature is shown below:

Women's Correctional Facility - The architect was selected by the Board of Examiners in November and the contract signed in December.

Men's Prison Expansion - The architect was selected by the Board of Examiners in November and the contract signed in December.

MSU Engineering/Science Bldg. - The architect was selected by the Board of Examiners in October and the contract signed in December.

U of M Business Admin. Bldg. - The architect was selected by the Board of Examiners in October and the contract signed in December.

Montana Developmental Center - Advertising is currently being done for architects. The selection of the architect is scheduled for completion by February, 1992.

The contracts with architects contain provisions that the state may cancel at any time and pay only for the services rendered to date.

Debt Service Payments

Table 3 shows the debt service payments for the existing general obligation bonds paid from the general fund. In addition, the table shows the projected general fund debt service payment schedules for the \$61.3 million of general obligation bonds authorized by the 1991 legislature to fund construction of the men's and women's prisons and the university buildings.

Table 3
Debt Service Payments with Current G.O. Bonds and Projections
for Prison and University Buildings (General Fund)
(Millions)

<u>Fiscal Year</u>	<u>Series "A" Refunding Bonds 1983</u>	<u>Series "A" Bonds 1985</u>	<u>Prison Bonds</u>	<u>University Bonds</u>	<u>Total General Fund Debt Service</u>
1992	\$1.64	\$0.06	\$0.00	\$0.00	\$9.51
1993	10.20	0.15	0.00	0.00	10.35
1994	10.91	0.15	2.70	0.00	13.76
1995	10.12	0.15	2.70	2.77	15.74
1996	10.31	0.14	2.70	2.79	15.94
1997	3.16	0.16	2.70	2.79	8.81
1998	(0.04)	0.15	2.70	2.79	5.60
1999	0.00	0.16	2.70	2.79	5.65
2000	0.01	0.15	2.70	2.79	5.65
2001	0.00	0.01	2.70	2.79	5.50
2002	0.00	0.00	2.70	2.79	5.49
2003	0.00	0.00	2.70	2.79	5.49
2004	0.00	0.00	2.70	2.79	5.49
2005	0.01	0.00	2.70	2.79	5.50
2006	0.00	0.00	2.70	2.79	5.49
2007	(0.01)	0.00	2.70	2.79	5.48
2008	0.00	0.00	2.70	2.79	5.49
2009	(0.01)	0.00	2.70	2.79	5.48
2010	0.15	0.00	2.70	2.79	5.64
2011	0.00	0.00	2.70	2.79	5.49
2012	0.00	0.00	2.70	2.79	5.49
2013	0.00	0.00	2.70	2.79	5.49
2014	0.00	0.00	0.00	2.79	2.79
	\$46.45	\$1.28	\$54.00	\$55.78	\$165.32

Source: Department of Administration.

(This table excludes debt service paid by the Capitol Land Grant funds which flow through the general fund.)

Based on current plans, existing Series A Refunding Bonds will be retired by 1997. Debt service for the prison bonds will begin in fiscal 1994 and the university construction bonds in fiscal 1995. As a result, total general fund debt service payments will be substantially higher in fiscal years 1994 through 1996. Based on current projections for the prison and university bonds, total general fund debt service will increase by \$3.41 million in fiscal 1994, \$5.39 million in fiscal year 1995, and \$5.59 million in fiscal 1996 above the fiscal 1993 current debt service costs. The debt service projections for the new bonds

are based on level debt service for annual principal and semi-annual interest payments. Debt service payments could be held at current levels by delaying projects or by delaying principal payments for the new bonds until after fiscal 1997, when the current bonds are retired.

Cultural and Aesthetics Grants

The 1991 legislature appropriated \$1.3 million to fund 101 grants from the Cultural and Aesthetics state special revenue account. This account receives the interest from a non-expendable trust account established in section 15-35-

108(3)(j) MCA, which receives its revenues from a portion of coal severance tax. Under current law, interest from the trust may only be used for cultural and aesthetic grants approved by the legislature and for administrative costs associated with the grants incurred by the Montana Arts Council and the advisory committee.

As Table 4 shows, \$295,335 of these grants have not been committed as of this date. In addition, grant agreements contain language stating funding is contingent upon availability of revenues and/or any subsequent action taken by the legislature. Unspent funds could be transferred to the general fund by statutory amendment.

Table 4
Cultural And Aesthetics Grants (House Bill 9)
Approved by 1991 Session

<u>Grants</u>	<u>Appropriated</u>	<u>Committed Nov. 30, 1991</u>	<u>Balance Remaining</u>
Cultural & Aesthetics	\$1,296,080	\$1,000,745	\$295,335

Water Development, Renewable Resources, and Reclamation - Grants Interest

Each session, the legislature authorizes grants to public and private entities from three accounts: water development,

renewable resources, and reclamation. As Table 5 shows, these accounts receive most of their funding from interest earned on the constitutionally established Resource Indemnity Trust (RIT). Funds in these accounts are used to fund state agency operations, as well as grant projects.

Table 5
Resource Indemnity Trust Interest Accounts
1993 Biennium

	<u>Reclamation/ Development</u>	<u>Water Development</u>	<u>Renewable Resource</u>
Beginning Balance	\$576,023	\$674,062	\$0
<u>Revenues</u>			
RIT Interest	7,733,095	5,043,323	1,344,886
Coal Tax		365,778	365,778
Loan Repayments		950,670	129,870
Bond Proceeds Interest			
Administrative Fees		50,000	
Project Revenues/Income/Savings		935,400	
TOTAL REVENUES	<u>\$7,733,095</u>	<u>\$7,345,171</u>	<u>\$1,840,534</u>
TOTAL FUNDS AVAILABLE	<u>\$8,309,118</u>	<u>\$8,019,233</u>	<u>\$1,840,534</u>
<u>Appropriations</u>			
Debt Service		\$1,229,694	\$380,231
House Bill 2			
DNRC		4,459,138	436,114
State Lands	3,397,758		
Health	1,675,540		
Water Courts		977,425	
State Library			198,273
	<u>175,472</u>		
Total House Bill 2	\$5,248,770	\$5,436,563	\$634,387
Reserved for Water Storage - SB 313*		\$338,244	\$206,479
Ending Balance/Avail for Grants	\$3,060,348	\$1,014,732	\$619,437
House Bill 6		889,812	1,276,966
House Bill 8	<u>4,160,773</u>		
Total Grants	\$4,160,773	\$889,812	\$1,276,966
TOTAL APPROPRIATIONS	<u>\$9,409,543</u>	<u>\$7,894,313</u>	<u>\$2,498,063</u>
ENDING FUND BALANCE	(\$1,100,425)	\$124,920	(\$657,529)

*Senate Bill 313 reserves 25 percent of the total amount available for grants from the Water Development and Renewable Resource accounts for water storage projects to be spent not prior to fiscal 1994.

In House Bill 6, the 1991 legislature authorized 13 new water development grants from the water development account totalling \$0.9 million and 18 renewable resource grants from the renewable resource account totalling \$1.3 million. In House Bill 8, the 1991 24 grants from the reclamation and development account, totalling \$4.2 million.

Table 6 shows the total grants authorized from each of these accounts during the last four regular sessions and the amount committed as of November 30, 1991.

The legislature could eliminate authorization for projects for which

contracts have not been signed, thus increasing the amount of funds that could be used to fund state agency operations or transferred to the general fund. Legislation would be needed to make either change.

The Executive Budget proposes to use \$133,050 from five unexpended water development, reclamation and renewable resource grants to offset general fund costs in Department of Natural Resources and Conservation. These grants are:

- 1) Carbon County/Roberts Water System - \$47,500;
- 2) Cascade Water System - \$50,000;
- 3) Cataract Creek Reclamation - \$21,565;
- 4) Grasshopper Creek Restoration - \$2,274; and
- 5) Cascade Landfill and Park - \$11,711.

Table 6
Status of RIT Grants

<u>Grants</u>	<u>Appropriated</u>	<u>Committed Nov. 30, 1991</u>	<u>Balance Remaining</u>
Water Development			
1991 Session	\$889,812	\$322,903	\$566,909
1989 Session	631,668	478,400	153,268
1987 Session	591,712	519,212	72,500
1985 Session	1,688,400	1,588,400	100,000
Renewable Resources			
1991 Session	\$1,276,966	\$100,000	\$1,176,966
1989 Session	1,132,570	1,013,350	119,220
1987 Session	411,674	325,374	86,300
Reclamation			
1991 Session	\$4,160,773	\$341,550	\$3,819,223
1989 Session	2,896,522	2,896,522	0
1987 Session	3,740,961	3,644,445	96,516
1985 Session	<u>4,198,476</u>	<u>4,128,476</u>	<u>70,000</u>
Totals	\$21,619,534	\$15,358,632	\$6,260,902

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